

DRAFT ANNUAL BUDGET OF

Oudtshoorn Municipality



2020/21 TO 2022/23

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Abbreviations and Acronyms

| | | | |
|--------|------------------------------------------|-------|-----------------------------------------------|
| AMR | Automated Meter Reading | MEC | Member of the Executive Committee |
| ASGISA | Accelerated and Shared Growth Initiative | MFMA | Municipal Financial Management Act |
| BPC | Budget Planning Committee | MIG | Municipal Infrastructure Grant |
| CBD | Central Business District | MMC | Member of Mayoral Committee |
| CFO | Chief Financial Officer | MPRA | Municipal Properties Rates Act |
| MM | Municipal Manager | MSA | Municipal Systems Act |
| CPI | Consumer Price Index | MTEF | Medium-term Expenditure Framework |
| CRR | Capital Replacement Reserve | MTREF | Medium-term Revenue and Expenditure Framework |
| DBSA | Development Bank of South Africa | NDP | National Development Plan |
| DoRA | Division of Revenue Act | NERSA | National Electricity Regulator South Africa |
| DWA | Department of Water Affairs | NGO | Non-Governmental organisations |
| EE | Employment Equity | NKPIs | National Key Performance Indicators |
| EEDSM | Energy Efficiency Demand Side Management | OHS | Occupational Health and Safety |
| EM | Executive Mayor | OP | Operational Plan |
| FBS | Free basic services | PBO | Public Benefit Organisations |
| GDP | Gross domestic product | PHC | Provincial Health Care |
| GFS | Government Financial Statistics | PMS | Performance Management System |
| GRAP | General Recognised Accounting Practice | PPE | Property Plant and Equipment |
| HR | Human Resources | PPP | Public Private Partnership |
| HSRC | Human Science Research Council | PTIS | Public Transport Infrastructure System |
| IDP | Integrated Development Strategy | RG | Restructuring Grant |
| IT | Information Technology | SALGA | South African Local Government Association |
| kℓ | kilolitre | SAPS | South African Police Service |
| km | kilometre | SDBIP | Service Delivery Budget Implementation Plan |
| KPA | Key Performance Area | SMME | Small Micro and Medium Enterprises |
| KPI | Key Performance Indicator | mSCOA | Municipal Standard Chart of Accounts |
| kWh | kilowatt | | |
| ℓ | litre | | |
| LED | Local Economic Development | | |

Part 1 – Draft Annual Budget

1.1 Mayor's Report

Honourable Speaker, Deputy Mayor, Members of the Mayoral committee, Councilors, Municipal Manager, Directors, guests, ladies and gentlemen, good morning.

Speaker, it is my privilege to table the draft annual budget and MTREF (medium term revenue expenditure framework) for Oudtshoorn Municipality in accordance with the provisions of the MFMA and Municipal Budget and reporting regulations before council today.

This budget was once again drafted under challenging circumstances with the South African economy under severe pressure. This has caused the financial recovery to be slowed down as the citizenry are burdened by tough economic times resulting in a decline in municipal revenue streams.

Years of neglect in infrastructure maintenance, refurbishment and renewals has now resulted in a bottleneck of infrastructure breakdown that require additional financial resources.

The aforementioned few factors coupled to the targets set in the financial recovery plan collectively add to the considerations made in the budget process to continue with restraint in budget decisions that is required with the limited financial resources to address service delivery needs.

The Oudtshoorn community has the right to be provided with high quality reliable services and the efficient utilization of financial resources remains key in delivering on our mandate and ensuring the financial wellbeing of the municipality.

This being said the community of Oudtshoorn also has an obligation to assist the municipality to ensure that financial and other resources are not wasted on repetitive programs and projects such as cleaning of the environment caused by constant illegal dumping, this alone is requiring huge financial resources that could have been put to better use in addressing basic needs such as the provision of water, sanitation and housing.

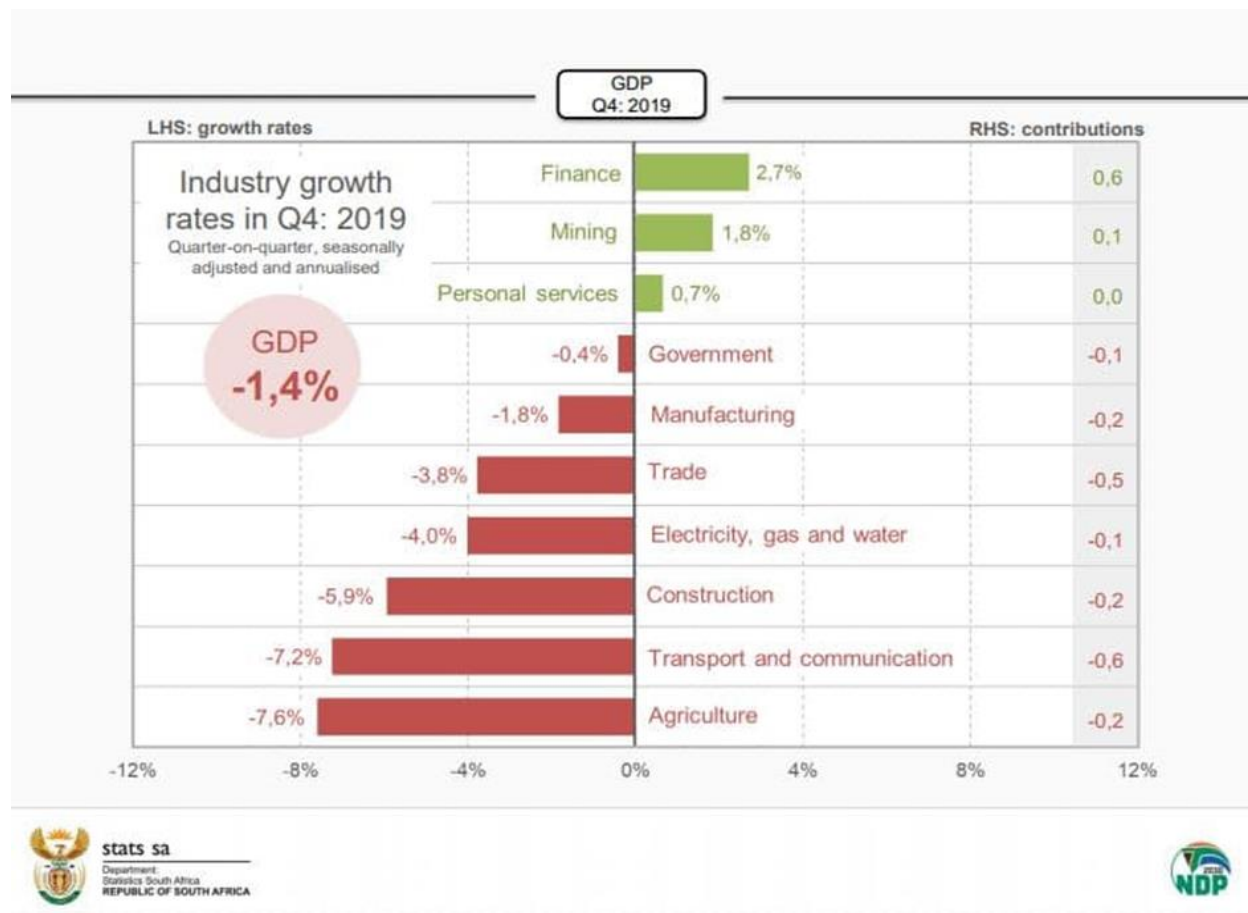
The South African Economy

South Africa finds itself at a crossroads. The Medium-Term Budget Policy Statement (MTBPS) presented by the Minister of Finance, on 30 October 2019 stated he tabled the budget in a difficult global and domestic environment. The Minister of Finance stated that economic growth has continued to stagnate and weaknesses in the world economy are likely to amplify our own challenges.

The 2019 MTBPS Budget shows global growth forecast is the lowest since the 2008 financial crisis, weighed down by mounting trade tensions and political uncertainty. Economic activity in tow engines of world economy, namely China and India are also slowing this year. Policy makers

have taken a number of steps to support growth, but the risk that these measures will create new vulnerabilities, as interest rates in advance economies decline.

During the past quarter South Africa experienced a technical recession that is the declining of Gross Domestic Product (GDP), below is a graph illustrating the decline for the 4th Quarter 2019 in the different sectors, where agriculture, trade and construction is highlighted.



It is important to note that the 2020 projected GDP growth has been forecasted to be only 0.9 per cent, which is concerning. National Treasury have released a discussion paper termed the Economic transformation, inclusive of growth and competitiveness and has proposed a number of economic reforms that might boost GDP Growth over the medium and longer term, and support increased investment and job creation. The next step is to implement the reforms urgently.

The aforementioned plans and strategies are however overshadowed by the shocks to the economy caused through the Corona virus pandemic and international companies closing down as a result, the deteriorating state of finances for state owned entities, continued high unemployment and water and electricity shortages will put pressure on municipalities to raise revenue.

Adding to the woes of the consumers are the continued increasing in the fuel levy, sin taxes and the impending multi-year electricity price increase, all of which impacts on the disposable income of households and the ability to pay for municipal services.

National Economic outlook

The GDP growth rate is forecasted at 0.9 per cent in 2020, 1.3 per cent in 2021 and 1.6 per cent in 2022. The annual inflation rate in South Africa fell to 4.1 percent in February 2020, reaching the mid-point of the central bank's target range of 3 percent to 6 percent. Repo rate was adjusted downwards in March 2020 by 100 basis points to accommodate consumers and stimulate the economy.

The key risks to the economic outlook remain political uncertainty as a result of the impending elections, deterioration in the finances of state-owned entities, coronavirus on global trade, intermitted electricity supply and the possibility of a sovereign credit rating downgrade.

A key risk to the Western Cape economy, which also includes Oudtshoorn is the uncertain rainfall outlook especially given its reliance on the agriculture sector for GDP and employment growth.

The slow economic growth and persistently high unemployment rate (29.1% nationally) continue to influence the ability of all municipalities to generate and collect revenue for services. The revenue enhancement strategy is in the process of being rolled out to aide in boosting revenue streams without further burdening consumers with tariff increases.

Local economic outlook

In the Municipal Economic Review 2019 it is forecasted that Oudtshoorn population growth will decline over the 2020-2024 period by 0.9% %, next to Kannaland the only one forecasted in the Garden Route district to be negative.

Job creation during 2018 in the greater Oudtshoorn remains flat over the MTREF, as in 2017. The unemployment rate for Oudtshoorn is 27.9 per cent in 2018, higher than the provincial and National Rates of 20.4% and 27.2% respectively

The agricultural sector in the district shed 754 job opportunities during 2017 mainly as a result of the continued drought, with the outlook remaining dim over the short term.

The current economy was heavily affected by the corona virus, as with the rest of the world. The tourism industry of Oudtshoorn will suffer loss of R80 million with major events such as the KKNK that was cancelled in 2020. This will have a ripple effect and further losses are forecasted for the 2020/21 financial year.

Oudtshoorn brief financial overview

The municipality has made great strides in its financial recovery from a position of near bankruptcy during the administration to one where we are in a position to start focusing economic resources towards service delivery, infrastructure refurbishment and maintenance instead of using available

resources to pay off overdue debt. The following needs to be highlighted in respect of the financial results attained to date:

- The cash position has improved over the last 3 financial years, from a cash flow deficit of approximately R110 Million in August 2015 to a positive cash flow of R149 Million as at 29 February 2020
- Trade Creditors have decreased from an amount exceeding R90 Million in November 2015 R3.4 million in 2020.
- Debtor collection has improved from 86% in early 2016 to exceed 96% for the year ending 30 June 2019, although vastly improved it is important to maintain a ratio of 95% and more to be financially sustainable.
- The cash flow position, although significantly improved in line with the liquidity requirements in the long-term financial plan of R111 million it is still a concern as cash is not available to create a capital replacement reserve.

Focus of the 2020/2021 budget

Both national and provincial governments view infrastructure as an important means of promoting sustainable growth and reducing poverty, with the national government having allocated large portions of its budget for this purpose.

The proposed division of revenue continues to prioritise funding services for poor communities. Allocations to local government subsidise the cost of delivery of free basic services to low-income households, and the infrastructure needed to deliver those services.

The Local Government equitable share, although increased has not kept up with the growing number of indigent customers in the Oudtshoorn municipal area and the local fiscus therefore remains under pressure.

Economic infrastructure is again a focus for Oudtshoorn municipality and include; electricity transmission, waste water treatment works, road building and maintenance and water supply. The dilapidation of infrastructure, especially water mains and roads in the older areas of the municipality has reached a critical stage and large investment in refurbishment is necessary to prevent a total collapse in services.

The abnormal number of failures in water mains cannot further be tolerated, both from an economic as well as water resource management point of view, urgent intervention has therefore become a budget priority over the MTREF.

Ladies and gentlemen, it is clear that the provision of infrastructure will be key to the long term financial sustainability of the municipality. It is crucial that this council and its community at large agree on areas in which growth potential lies and ensure that appropriate infrastructure services are properly funded. It is of essence that the municipality become investment ready to ensure that demand for services are met when opportunity arises.

National Treasury Budget Circular 98 and 99 emphasizes the reductions in planned transfers to municipalities due to the constricting economic climate in which we need to operate and urges

municipalities to reprioritise projects to ensure value for money spending and protection of the poor, yet urges municipalities to ensure that indigent household consumption is managed to the extent that the free services allocations are not exceeded.

Cost containments measures as emphasized in MFMA Circular 82 ,92 and the Cost Containment Regulations effective 1 July 2019. It is emphasized that we should ensure the continued implementation and enforcement of savings and austerity measures to ensure that the municipality becomes financially sustainable, and therefore approved the Cost Containment Policy and will monitor as from 1 July 2019.

Capital Budget

The capital budget flows from the IDP process and contains information obtained from infrastructure master plans and relevant stakeholders through public participation processes as well as ward committee processes where applicable.

Total funded capital projects for the 2020/2021 financial year amounts to R 107,783 Million with the main focus being the following:

| | |
|---------------------------------|----------------------|
| Water Infrastructure | R 42 488 523 |
| Electricity | R 6 233 696 |
| Sanitation | R 22 270 116 |
| Roads Infrastructure | R 12 306 228 |
| Sport and recreation facilities | R 3 500 000 |
| Community and Social | R 472 609 |
| Other | R 20 512 065 |
| Total | R 107 783 236 |

Critical capital projects include water augmentation and securing sustainable water sources for Oudtshoorn through the connection of the Blossoms wellfield to augment the main water supply as a measure to ensure the availability of water throughout the continuing drought. A asbestos pipe replacement project have also been registered with MIG for the 2020/21 financial year.

The capital budget is funded mainly by means of grants from National and Provincial Government in the amount of R74.89 Million. The remainder will be financed from own revenue generated amounting to R16.40 Million and external borrowing to an amount of R16.50 Million in respect of major infrastructure refurbishments and replacement.

Operating Budget

The operating expenditure budget for the 2020/2021 financial year amounts to R 704 458 517 which represents an increase of R 13 713 199 or 1.99 % over the 4th revised budget for 2019/2020.

The cost drivers of the increase in the budget can be summarized as follows:

- An anticipated 6.25 % general increase in the wage bill is budgeted in accordance with the multi-year collective wage agreement.
- Bulk electricity purchases from NERSA of 8.1%
- Inflationary pressure and the general increase in the price of goods and services.
- Increase in critical refurbishment and infrastructure replacement cost necessary as a result of many years of neglect.
- Increase in security services cost to protect municipal assets and infrastructure from being vandalized and stolen
- Operational requirements to ensure service delivery standards are complied with, this is specifically in respect of electricity, roads and water and waste water.

Staffing cost is at the upper limit of the norm at 38.71 % of total expenditure and a continued and concerted effort is necessary over the MTREF to reduce staffing cost without sacrificing operational efficiency and service delivery. The draft salary budget is subject to change, after a physical verification of all employees currently paid and placed in positions not reflecting on the organogram will be conducted before the final budget approval.

Housing allocation for the construction of houses has increased from R 30 Million in the 2019/2020 financial year to R44 Million in the 2020/2021 financial year. The municipality will continue to expedite the delivery of houses to meet the increasing demand for housing opportunities.

Revenue sources remain under strain and the municipality has no alternative but to increase tariffs for the 2020/2021 financial year in accordance with the operational requirements and other factors influencing price increases and the cost of rendering services. The prescribed tariff increases as approved in the financial recovery plan was extended for the MTREF 2020/21. It is forecasted that the municipality will only meet its full liquidity requirements in 2024 in the Long-Term Financial Plan that was compiled by specialists INCA Portfolio Managers

Intelligent financial decisions made in this budget and over the remainder of the MTREF will ultimately lay the foundation of the financial sustainability of the municipality over the medium as well as long term.

The council has in accordance with the National Treasury circulars once again adopted a pro-poor approach and the increase in tariffs for lower levels of consumption have been limited as far as possible to be within inflationary targets.

As a result of the worst drought that has hit the Western Cape in more than a century, the municipality has no alternative but to once again increase water tariffs in the higher end of the sliding scale to aid in the conservation of this scarce resource and to discourage excessive use and wastage of water.

The resource is carefully managed to ensure a balance between the economic viability of the service and securing the availability of the resource in the long term. The application of higher water tariffs for the future is unavoidable considering the limited resource and the increase in cost. In an attempt to balance service delivery with affordability and financial sustainability, the following tariff increases are necessary;

Electricity 6.9 per cent in accordance with the NERSA guideline increase. Water between 6 per cent and 10 per cent depending on the scale of consumption. Sewerage 9 per cent and refuse charges 12 per cent as previously determined to move towards cost recovery of the service.

Service charges for refuse and sewerage needs to be cost reflective and we are continuing with the phasing in of the refuse removal fees in the proposed MTREF. This will ensure that a position of cost recovery is reached over a 5year horizon.

Assessment rates represent 13.21 % of own revenue raised. The assessment rates raised serves to fund rates and general municipal services, including all community related services, the extent to which these services are available to the general public determines financial exposure to the municipality as the fees and associated revenue for these services are never sufficient to cover the cost of making the services available to the community.

The implementation of the general valuation roll with effect from 1 July 2017 and subsequent supplementary valuation rolls have added additional assessment rates revenue which will contribute to a moderate assessment rate increase going forward. The increase in assessment rates will be limited to 6% for the 2020/2021 financial year, remaining within inflationary predictions for 2020.

Increases in all categories of expenditure have been limited yet critical institutional issues had to be budgeted to ensure that service delivery standards will be met and prevailing legislative requirements are adhered to. It must also be borne in mind that a variety of fixed and overhead cost must be borne by the municipality in fulfilling its legal and constitutional mandate.

An amount of R27.1 Million has been set aside for materials in respect of repairs and maintenance and in addition thereto 35 per cent the capital budget is allocated for the upgrading of existing assets representing an amount of R37.7 Million. Major refurbishment of infrastructure is prioritized to prolong the lifespan of assets and to prevent them from falling further into disrepair. A further provision will be made in the outer years of the MTREF for expenditure in this regard.

Social and Developmental programs

In total an amount of R4.5 Million is set aside for social and developmental programs, which includes the youth, rural development, sports development, tourism and marketing as well as disabled persons and women as focus areas. An additional R2 million was again set aside for training opportunities for the youth of Oudtshoorn through the provision of external bursaries, an increase of R1,4 million from 2019/20.

Indigent and other subsidies

The sharp growth in indigent registrations during the 2019/2020 financial year is of great concern and further illustrates the challenging economic circumstances faced by municipal customers.

Provision is made in the operating budget for the subsidizing of indigent households as follows; the first 6Kl of water per month as well as 50 units of electricity will be free of charge, a 100% subsidy for refuse removal and sewerage charges will be given.

Indigent households are further exempted from paying for the water basic charge as well as the demand charge per Ampere for electricity capacity. A rebate on assessment rates will also be given for Indigent households up to a valuation of R70.000.

The indigent subsidy package is based on the national norm and stretches the affordability threshold of the municipality due to the growing number of indigent households and the fact that the monetary value of the subsidies exceed the national allocation. The total amount in respect of free services, inclusive of free services given in Eskom distribution areas and assessment rate rebates exceed R50 Million for the 2020/2021 financial year. It is anticipated that in excess of 7000 households will register for indigent support, representing approximately 33% of households in the greater Oudtshoorn area.

In addition to the subsidies provided to indigent consumers, the assessment rates rebate for pensioners has been extended to include pensioner households where combined annual income is lower than R144,000 to qualify for a 35% rebate on assessment rates. Pensioners qualifying for assessment rates rebates will also be entitled to 6kl free water per month as well as the first 50 units electricity at a zero rate. The budget also provides for relief to be given to people with disabilities thus qualifying for the same benefits as pensioners in respect of subsidized services.

Provision is also made for 100 free units of electricity for indigent/pensioners/disabled households where occupants are on life support systems that require the use of electricity.

In conclusion

The budget tabled here today was compiled under very challenging circumstances, with revenue sources continuing on a downward trend as a result of the struggling economy which is further exacerbated by the persistent drought and the continuing failure of Eskom to provide a reliable source of energy to enable communities and business to thrive.

Service delivery demands from the communities remain a high priority and it is therefore important that all stakeholders take part in the budget processed to ensure that the needs of all communities are addressed and that resources are distributed equitably.

I would therefore like to invite all councillors, all community members, business, agriculture and all other stakeholders to take part and provide further input in the budget and IDP processes.

Speaker it is therefore my privilege to table the 2020/2021 draft budget and MTREF before council for consideration and public participation.

I thank you.

C. SYLVESTER - EXECUTIVE MAYOR

1.2 Council Resolutions - Draft

1. The Council of Oudtshoorn Local Municipality, acting in terms of section 16(2) of the Municipal Finance Management Act, (Act 56 of 2003) table the budget:
 - 1.1. The annual budget of the municipality for the financial year 2020/2021 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 17 on page 43 (MBRR Table A2);
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 18 on page 45 (MBRR Table A3);
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 19 on page 46 (MBRR Table A4); and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 20 on page 49 (MBRR Table A5).
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 21 on page 51 (MBRR Table A6);
 - 1.2.2. Budgeted Cash Flows as contained in Table 22 on page 53 (MBRR Table A7);
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 23 on page 55 (MBRR Table A8);
 - 1.2.4. Asset management as contained in Table 24 on page 55 (MBRR Table A9) as well as Annexure "E"; and
 - 1.2.5. Basic service delivery measurement as contained in Table 25 on page 57 (MBRR Table A10).
2. The Council of Oudtshoorn Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables with effect from 1 July 2020; the tariffs for property rates, the tariffs for electricity, the tariffs for the supply of water, the tariffs for sanitation services, the tariffs for solid waste services as set out in Annexure "A"
3. The Council of Oudtshoorn Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables with effect from 1 July 2020 the tariffs and fees for other services inclusive of all miscellaneous tariffs as set out in Annexure "A".
4. To give proper effect to the municipality's annual budget, the Council of Oudtshoorn Local Municipality tables:

- 4.1. That cash backing be implemented through the utilisation of a portion of the realisable accumulated surplus that may be realised as at the end of the financial year to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by Section 8 of the Municipal Budget and Reporting Regulations.
5. That the following budget related policies attached as Annexure "B" be tabled
 1. Budget Policy
 2. Credit Control and Debt Collection procedures/policies
 3. Asset Management Policy
 4. Long Term Financial Planning Policy
 5. Indigent Policy
 6. Property Rates Policy
 7. Supply Chain Management Policy
 8. Grants in Aid Policy
 9. Borrowing Policy
 10. Virement Policy
 11. Employee Study Assistance Policy
 12. Cash Management and Investment Policy
 13. Tariff Policy
 14. Unauthorised, Fruitless and Wasteful Expenditure Policy
 15. Funding and Reserves Policy
 16. Petty Cash Policy
 17. Infrastructure Procurement Policy
 18. Cellular Telephone Policy
 19. Travelling and Subsistence Policy
 20. Overtime Policy
 21. Remuneration policy
 22. Creditors, councillors and staff payment policy
 23. Cost Containment Policy
6. That the Service Level Standards attached as Annexure "C" be tabled.
7. That updated the Long-term financial plan attached as Annexure "D" be tabled.

8. That the necessary amendments to all relevant by-laws be affected to give effect to the amendments to the policies listed in recommendation 5 above.
9. That the council of Oudtshoorn Municipality, acting in terms of Section 25 of the Local Government Municipal Systems Act, (Act 32 of 2000) tables with effect from 1 July 2020, the revisions to the 2017 – 2022 Integrated Development Plan.
10. That the municipality be permitted to enter into long-term debt agreements for the funding of infrastructure loans as identified in the budget for the 2020/2021 financial year to an amount of R16.5 Million in accordance with Section 46 of the Municipal Finance Management Act.
11. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.
12. That the draft Service Delivery and Budget Implementation Plan for the 2020/2021 financial year be noted.
13. That the detailed capital program per project, department and funding source attached as Annexure “G” be tabled.

1.3 Executive Summary

The draft budget for the 2020/2021 financial year and Medium-Term Revenue and Expenditure Framework (MTREF) was once again drafted under challenging circumstances as the municipality is caught up in an underperforming national economy fired by the under-performing state-owned enterprises such as Eskom and SAA, and reeling from the near financial disaster caused by the effect of state capture. This has caused the recovery of the economy to be slowed down as the citizenry are burdened by tough economic times resulting in a decline in municipal revenue streams.

It is therefore necessary to continue to apply prudent financial management principles in the budget process of the Oudtshoorn Municipality to ensure that the municipality becomes financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The revised IDP informs the budget and serves to aid in the review of the service delivery priorities as an integral part of the municipality's planning and budgeting process. The budget serves to address crucial service delivery needs which is compounded by infrastructure services failures caused by many years of inadequate maintenance and refurbishment. The current year budget continues to prioritize the improvement in service delivery and focusses on long overdue replacement and refurbishment of infrastructure which is critical to service delivery and to sustain revenue streams.

With the financial recovery near completion it is important that available resources are prioritized towards critical service delivery issues and that asset maintenance, refurbishment and replacement receive priority.

National Treasury's MFMA Circulars 89, 91, 93 and 94, 98 and 99 were used as reference to guide in the compilation of the 2020/2021 MTREF.

The main challenges experienced during the compilation of the 2020/2021 MTREF can be summarized as follows:

- The slowdown in the financial recovery process as a result of the prevailing economic circumstances.
- Limitation on own funding for investment in much needed infrastructure, refurbishment and renewals.
- Risk of failing infrastructure as a result of years of neglect and unfunded maintenance plans in respect of roads and water reticulation networks.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to absorb long term temporary staff into permanent positions.

The following budget principles and guidelines directly informed the compilation of the 2020/2021 MTREF:

- The 2019/20 Adjustments Budgets set the baseline for the budget of 2020/2021 and where appropriate a zero-base budgeting principle has been used.
- Cost cutting and austerity measures have been applied in all expenditure categories and value for money considerations are made when expenditure is incurred.
- Tariff and property rate increases should be affordable and should generally not exceed the growth parameters or upper limits of inflation as measured by the CPI, except where

there are price increases in the input of services that are beyond the control of the municipality, for instance the continued escalation in the electricity and fuel price increase and the above average increase in specialized goods and services needed in service delivery that are subject to exchange rate fluctuations

- Cost reflective tariff setting where applicable and achievable, also considering the need to address infrastructure backlogs.
- The further strengthening of the financial position of the municipality and the continued striving towards a position of financial sustainability over the long term.
- Ensuring a cash funded budget and the strict application of prudent financial management principles.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2020/2021 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2020/2021 MTREF

| Description | 4th Adjusted Budget | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
|----------------------------------------------------|---------------------|---------------------|------------------------|------------------------|
| Total Revenue | R 733 514 436 | R 747 667 297 | R 774 890 131 | R 824 182 707 |
| Total Operating Expenditure | R 690 745 318 | R 704 458 517 | R 740 464 963 | R 773 274 139 |
| Total Capital Expenditure | R 127 333 969 | R 107 783 236 | R 82 364 084 | R 68 852 050 |
| Surplus / (Deficit) inclusive of capital transfers | R 42 769 118 | R 43 208 780 | R 34 425 168 | R 50 908 568 |

Total revenue has grown by 1.93 per cent or R 14 152 862 for the 2020/2021 financial year when compared to the 2018/19 4th adjustments budget. For the two outer years, total revenue will increase with 3.64 per cent and 6.36 per cent respectively equating to a total revenue growth of R 90 668 271 over the MTREF when compared to the 2019/20 4th revised budget figure.

Total operating expenditure for the 2020/2021 financial year has been appropriated at R 704 458 517 and translates into a budgeted surplus of R43 208 780 inclusive of capital transfers.

When compared to the 2019/20 4th adjustments Budget, operational expenditure has increased only with 1.99 per cent in the 2020/2021 budget and increases with 5.11 per cent for 2021/2022 and 4.43 per cent for the 2022/2023 financial year being the outer years of the MTREF. The cash surplus for the two outer years steadily improves to increase the anticipated surplus over the MTREF. The surpluses would need to increase significantly before additional amounts can be appropriated for capital funding or asset refurbishment.

To attain a sound financial position at current cost, a surplus of at least R110 million is necessary to provide a sound operating reserve and to further invest in infrastructure provisioning, which was achieved for the first time during 2019/20 and needs to be maintained.

The capital budget of R 107 783 236 for 2020/2021 is -15.35 per cent less than the 4th revised budget for 2019/2020. The capital program decreases to R 82 364 084 in the 2021/22 financial year and then decreases to R 68 852 050 in the 2022/22 financial year. Capital funded from own revenue over the MTREF amounts to R32.36 Million, with borrowing adding another R33 million over the MTREF to address critical needs as well as refurbishment requirements.

A major portion of the capital budget will once again mainly be funded from government grants and subsidies as the municipality has limited financial resources to commit large amounts of its own funds to capital financing. Borrowing as a funding source is recommended for large capital investment in respect of the replacement and refurbishment of infrastructure to underline the user-pays principle, a where current and future users of the service will be required to contribute to the cost associated with the raising of funding necessary to execute the programs or projects.

The repayment of borrowing over the last 4 financial years has significantly reduced the long term liabilities relating to loans taken up to fund infrastructure and with the gearing ratio being sound, it is necessary to make use of borrowing as a funding alternative for large capital projects over the MTREF. Capital raised from own revenue is not sufficient to fund large renewals and refurbishment and to prevent the assets from further deteriorating.

The current level of own funds used in the financing of capital requirements are not sustainable in the long term at the current financial performance and the rate at which surpluses are generated. It must therefore be emphasized that should overall expenditure not be further reduced and revenue enhanced over the short and medium term, the municipality will not be in a position where own revenue sources can be used as capital funding.

1.4 Operating Revenue Framework

For Oudtshoorn Municipality to continue improving the quality of life of its communities through the delivery of high-quality services, it is necessary to generate sufficient revenue from rates and services charges. It is also important to ensure that all billable revenue is firstly correctly charged and secondly adequately collected. The revenue enhancement unit under the finance department will aid to ensure that all revenue is accurately and efficiently billed and collected. The prevailing economic circumstances is adding to the difficulties in collecting the revenue that is due to the municipality and the promotion of operational efficiencies as well as savings and austerity measures remain a priority in ensuring the availability of sufficient financial resources to fund the MTREF.

The expenditure required to meet the needs of the community will inevitably always exceed available funding; hence difficult choices must once again be made in relation to tariff increases and balancing expenditure against realistically anticipated revenue streams.

The municipality has through the last three financial years made significant strides in recovering financially, with all arrear debt being paid off. To further aide in the financial recovery, a variety of additional initiatives needs to be maintained to ensure that financial sustainability will be achieved.

- Austerity measures – Savings on all general expenditure items, saving on printing cost, stationery, legal fees and a further general limitation on spending within the general expenditure items category
- Successful implementation and monitoring of the Cost Containment Policy and regulations.
- A concerted effort to reduce employee cost over the MTREF to meet acceptable norms for the industry. The employee budget will be compared to the actual payroll and verification will be performed to ensure that the budget is credible for 2020/21.
- Further saving on fuel and vehicle operating cost will be applied.

- Value for money through the strict enforcement of supply chain principles will be ensured in all procurement processes and a zero tolerance to fraud and corruption will be enforced.
- The protection of municipal resources and infrastructure and the utilization of municipal property plant, vehicles and equipment with care and respect to avoid unnecessary repairs and maintenance cost from being incurred.

The municipality's revenue strategy is built around the following key components:

- Strengthening the financial position of the municipality.
- Cost reflective tariff setting – The municipality is continuing to promote the principle of cost reflective tariffs and has also performed an electricity cost of supply study where the elements contributing to the cost of the service were isolated and proposed tariffs structured in a manner to ensure that relevant cost elements are recovered through appropriate tariff setting.
- A revenue enhancement strategy has been adopted and the staffing of the section is still underway. The revenue enhancement program will ensure that all revenue is correctly billed in accordance with the category, user type and applicable tariffs and number of service units as determined by the municipality. If correctly applied and implemented, it will ensure that consumers across the board are saved from further above average tariff increases;
- Above average tariff increases are still proposed for the 2020/2021 financial year in certain services, this is of essence to sustain and improve on service delivery standards and to ensure the long-term financial sustainability of the municipality;
- The municipal council has adopted a principle of protecting the poor from excessive tariff increases and will therefore endeavour to limit the increase to lower income consumers in line with inflationary trends. Subsidization of free basic services have been extended to pensioners and the most vulnerable category of consumers.
- National Treasury's guidelines and growth parameters have been considered in tariff increases and where appropriate an explanation is provided for increases higher than 6% under the respective services.
- Efficient revenue management, which aims to ensure a minimum 95% annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Cost reflective tariff setting where appropriate with the further phasing in of the refuse removal tariffs and moving towards cost reflective tariffs for water and waste water.
- Budgeting for a moderate surplus at the conclusion of the MTREF to enable the municipality to build cash reserves to back statutory funds and provisions and to build an operating as well as capital replacement reserve.
- Fully subsidizing all indigent households in terms of the relief offered by the municipality.

The aforementioned factors collectively contribute to the financial wellbeing of the municipality and the extent to which it is executed or concluded will either aide or impact negatively on the long-term sustainability of the municipality. It must be emphasized that at the current trend of staff expenditure, and the ever-escalating cost of service delivery, the municipality will not be able to improve its financial position over the MTREF unless catalytic economic investments and opportunities are garnered expediently. The current rates base can no longer support the cost of services and all role-players would need to collectively contribute to ensure not only the financial sustainability of the municipality, but also the economic progression of its citizenry.

The following table is a summary of the 2020/2021 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

| | Audited Outcome 16/17 | Audited Outcome 17/18 | Audited Outcome 18/19 | Original Budget 2019/2018 | Adjusted Budget 2019/20 | Full year forecast 2019/20 | Pre-audit outcome | Budget Year 2020/21 | Bydget Year +1 2021/22 | Budget Year +2 2022/23 |
|----------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|---------------------------|-------------------------|----------------------------|-------------------|---------------------|------------------------|------------------------|
| Property rates | 70 958 | 81 990 | 88 173 | 93 375 | 93 201 | 93 201 | 93 201 | 98 793 | 104 732 | 111 026 |
| Service charges - electricity revenue | 210 156 | 214 893 | 222 752 | 253 609 | 244 256 | 244 256 | 244 256 | 263 538 | 274 657 | 298 177 |
| Service charges - water revenue | 60 177 | 63 731 | 61 743 | 70 738 | 62 739 | 62 739 | 62 739 | 68 361 | 74 544 | 81 235 |
| Service charges - sanitation revenue | 29 994 | 31 126 | 32 868 | 34 809 | 34 462 | 34 462 | 34 462 | 37 530 | 40 893 | 44 535 |
| Service charges - refuse revenue | 15 458 | 16 710 | 17 504 | 19 023 | 18 659 | 18 659 | 18 659 | 20 895 | 23 398 | 26 203 |
| Interest earned - external investments | 3 308 | 5 586 | 8 963 | 6 235 | 10 235 | 10 235 | 10 235 | 10 901 | 11 609 | 12 364 |
| Interest earned - outstanding debtors | 6 391 | 6 949 | 6 805 | 6 840 | 6 840 | 6 840 | 6 840 | 7 771 | 8 143 | 8 769 |
| Fines, penalties and forfeits | 16 700 | 4 874 | 8 953 | 7 345 | 7 040 | 7 040 | 7 040 | 7 443 | 7 890 | 8 365 |
| Transfers and subsidies | 74 589 | 113 150 | 130 694 | 102 404 | 120 810 | 120 810 | 120 810 | 116 411 | 127 941 | 127 870 |
| Other revenue | 32 953 | 38 440 | 50 736 | 23 982 | 24 399 | 24 399 | 24 399 | 25 269 | 25 963 | 27 066 |
| Total Revenue (excluding capital transfers and contributions) | 528 918 | 585 513 | 638 275 | 625 754 | 629 746 | 629 746 | 629 746 | 664 373 | 707 692 | 754 005 |

Table 3 Growth in revenue by main revenue source

| Description | 2020/21 Medium Term Revenue & Expenditure Framework | | | | |
|----------------------------------------------------------------------|-----------------------------------------------------|-------------|------------------------|-------------|------------------------|
| R thousand | Budget Year 2020/21 | Growth % | Budget Year +1 2021/22 | Growth % | Budget Year +2 2022/23 |
| Revenue By Source | | | | | |
| Property rates | 98 792 878 | 6.01 | 104 731 501 | 6.01 | 111 026 441 |
| Service charges - electricity revenue | 263 538 128 | 4.22 | 274 657 136 | 8.56 | 298 177 186 |
| Service charges - water revenue | 68 361 366 | 9.04 | 74 544 419 | 8.98 | 81 235 361 |
| Service charges - sanitation revenue | 37 529 567 | 8.96 | 40 892 938 | 8.91 | 44 534 532 |
| Service charges - refuse revenue | 20 895 198 | 11.98 | 23 397 786 | 11.99 | 26 202 686 |
| Service charges - other | - | | - | | - |
| Rental of facilities and equipment | 2 872 462 | 6.44 | 3 057 365 | 5.92 | 3 238 294 |
| Interest earned - external investments | 10 900 615 | 6.50 | 11 609 115 | 6.50 | 12 363 665 |
| Interest earned - outstanding debtors | 7 770 992 | 4.78 | 8 142 792 | 7.69 | 8 769 310 |
| Dividends received | - | | - | | - |
| Fines, penalties and forfeits | 7 442 827 | 6.01 | 7 890 442 | 6.01 | 8 364 792 |
| Licences and permits | 371 120 | | 393 387 | | 416 990 |
| Agency services | 4 217 728 | 6.00 | 4 470 792 | 6.00 | 4 739 040 |
| Transfers and subsidies | 116 410 788 | 9.90 | 127 941 125 | (0.06) | 127 870 125 |
| Other revenue | 25 269 418 | 2.75 | 25 963 459 | 4.25 | 27 066 412 |
| Total Revenue (excluding capital transfers and contributions) | 664 373 085 | 6.52 | 707 692 256 | 6.54 | 754 004 832 |

Revenue generated from services charges remain the major source of revenue for the municipality amounting to 58.75% per cent of total revenue.

The major sources of revenue for the 2020/2021 financial year can be summarized as follows:

Table 4 Major sources of revenue

| Main Sources of revenue | | |
|--------------------------------|--------------------|---------------|
| Source | Amount | % |
| Property rates | 98 792 878 | 14.87 |
| Electricity revenue | 263 538 128 | 39.67 |
| Water revenue | 68 361 366 | 10.29 |
| Sanitation revenue | 37 529 567 | 5.65 |
| Refuse revenue | 20 895 198 | 3.15 |
| Transfers and subsidies | 116 410 788 | 17.52 |
| Other revenue | 58 845 161 | 8.86 |
| Total | 664 373 085 | 100.00 |

The second largest source is operational grants and subsidies totaling R 116 410 788 and mainly comprise of Equitable Share allocated through the Division of Revenue Act and Provincial housing allocation for the construction of houses. Other operating grants include the Finance management grant, as well as EPWP incentive grant. Property rates are the third largest revenue source totaling 14.87 per cent or R 98 792 878 and increases to R 111 026 441 by 202/23.

Other revenue consists of various items such as; income received from permits and licenses, building plan fees, connection fees, admission fees, fines collected and other sundry receipts and totals R 58 845 161 for the 2020/2021 financial year. The principle of cost reflective tariffs for this category of revenue cannot summarily be applied as many of the services provided are freely available and accessible to communities and it is not feasible nor practical of affordable to communities if cost reflective tariffs were to be charged.

The details of operational grants and capital transfers are listed in the table below, the grants vary from unconditional grants such as the equitable share to specific purpose grants such as MIG, water services infrastructure grant and the grant from the department of Human Settlements for the construction of houses and related infrastructure.

Capital grants are also received through Provincial transfers such as the Integrated Human Settlement Grant for the construction of the new low-cost housing developments.

Table 5 Operating Transfers and Grant Receipts

| Choose name from list - Supporting Table SA18 Transfers and grant receipts | | | | | | | | | | |
|----------------------------------------------------------------------------|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | | | | | | | | | | |
| RECEIPTS: | 1, 2 | | | | | | | | | |
| <u>Operating Transfers and Grants</u> | | | | | | | | | | |
| National Government: | | 63 941 | 68 037 | 75 357 | 81 083 | 81 083 | 81 083 | 84 225 | 88 090 | 93 756 |
| Local Government Equitable Share | | 58 194 | 62 683 | 67 861 | 73 525 | 73 525 | 73 525 | 78 568 | 84 323 | 89 768 |
| Expanded Public Works Programme (EPWP) | | 2 448 | 2 911 | 2 822 | 2 728 | 2 728 | 2 728 | 2 243 | – | – |
| Financial Management Grant (FMG) | | 1 375 | 1 550 | 1 620 | 2 085 | 2 085 | 2 085 | 2 517 | 2 781 | 3 002 |
| Integrated National Electrification Programme Grant (INEP) | | – | – | 1 883 | 1 908 | 1 908 | 1 908 | – | – | – |
| Municipal Infrastructure Grant (MIG) | | 1 924 | 893 | 1 171 | 837 | 837 | 837 | 897 | 986 | 986 |
| Other transfers/grants [insert description] | | | | | | | | | | |
| Provincial Government: | | 10 648 | 65 811 | 61 732 | 21 321 | 39 619 | 39 619 | 32 186 | 39 851 | 34 114 |
| Community Development Workers (CDW) | | 50 | 56 | – | – | 112 | 112 | 56 | 56 | 56 |
| Emergency Housing Grant | | 1 406 | 2 812 | – | – | 2 149 | 2 149 | – | – | – |
| Human Settlement Development Grant | | 849 | 54 013 | 50 539 | 14 900 | 30 092 | 30 092 | 25 210 | 32 000 | 26 000 |
| Community Library Services Grant | | 4 945 | 5 338 | 7 658 | 3 876 | 3 876 | 3 876 | 6 394 | 7 520 | 7 933 |
| Maintenance of Road Infrastructure | | 115 | 106 | 107 | 115 | 115 | 115 | 125 | 125 | 125 |
| Municipal Accreditation and Capacity Building Grant | | – | – | – | 1 270 | 1 270 | 1 270 | – | – | – |
| Municipal Electrical Master Plan Grant | | – | – | 617 | – | – | – | – | – | – |
| Western Cape Financial Management Capacity Buidng Grant | | 461 | 240 | 360 | 380 | 478 | 478 | 401 | – | – |
| Western Cape Financial Management Support Grant | | 1 999 | 3 080 | 1 480 | 780 | 1 472 | 1 472 | – | – | – |
| Municipal Service Delivery and Capacity Building Grant | | 400 | – | 900 | – | 55 | 55 | – | – | – |
| Municipal Infrastructure Support Grant | | – | – | – | – | – | – | – | – | – |
| Municipal Building Grant and Repair Grant | | 178 | – | – | – | – | – | – | – | – |
| Supply for Drought Relief interventions | | 41 | – | – | – | – | – | – | – | – |
| Local Government Graduate Internship Grant | | 5 | 66 | 72 | – | – | – | – | – | – |
| Performance Management Grant | | 200 | – | – | – | – | – | – | – | – |
| Thusong Centre Operational Grant | | – | 100 | – | – | – | – | – | 150 | – |
| Other grant providers: | | – | – | – | – | 108 | 108 | – | – | – |
| DEDAT | | | | | | 108 | 108 | | | |
| Total Operating Transfers and Grants | 5 | 74 589 | 133 848 | 137 089 | 102 404 | 120 810 | 120 810 | 116 411 | 127 941 | 127 870 |
| <u>Capital Transfers and Grants</u> | | | | | | | | | | |
| National Government: | | 33 743 | 34 169 | 63 884 | 55 002 | 79 500 | 79 500 | 63 730 | 67 198 | 69 258 |
| Integrated National Electrification Programme Grant (INEP) | | 6 136 | 3 000 | 3 673 | 4 092 | 4 092 | 4 092 | 3 000 | 5 000 | 4 000 |
| Municipal Infrastructure Grant (MIG) | | 26 726 | 21 169 | 20 211 | 20 910 | 20 910 | 20 910 | 20 730 | 22 199 | 23 339 |
| Regional Bulk Infrastructure Grant | | – | – | – | – | – | – | – | – | – |
| Water Services Infrastructure Grant | | – | 10 000 | 40 000 | 30 000 | 54 498 | 54 498 | 40 000 | 39 999 | 41 919 |
| Energy efficiency and demand side management grant | | 881 | – | – | – | – | – | – | – | – |
| Other capital transfers/grants [insert desc] | | | | | | | | | | |
| Provincial Government: | | 3 073 | 1 500 | – | 9 825 | 24 269 | 24 269 | 19 564 | – | 920 |
| Cango Caves Infrastructure Grant | | – | 1 500 | – | – | – | – | – | – | – |
| Housing - Human Settlement Development | | – | – | – | – | – | – | 18 830 | – | – |
| Libraries Services Conditional Grant | | 100 | – | – | 8 995 | 9 000 | 9 000 | 734 | – | – |
| Water Macro Planning | | – | – | – | – | 10 937 | 10 937 | – | – | – |
| Municipal Drought Relief Grant | | – | – | – | – | 2 000 | 2 000 | – | – | – |
| Supply for Drought Relief interventions | | 1 621 | – | – | – | – | – | – | – | – |
| Fire Services Capacity Building Grant | | 970 | – | – | 830 | 830 | 830 | – | – | 920 |
| Provincial Sports Grant | | 144 | – | – | – | – | – | – | – | – |
| Military Sports Academy | | 88 | – | – | – | – | – | – | – | – |
| Municipal Service Delivery and Capacity Building Grant | | 29 | – | – | – | 65 | 65 | – | – | – |
| Western Cape Financial Management Support Grant | | 108 | – | – | – | – | – | – | – | – |
| CDW Operational Grant | | 13 | – | – | – | – | – | – | – | – |
| Other capital transfers/grants [insert description] | | – | – | – | – | – | – | – | – | – |
| Airport Infrastructure Grant | | – | – | – | – | 1 437 | 1 437 | – | – | – |
| Total Capital Transfers and Grants | 5 | 36 816 | 35 669 | 63 884 | 64 827 | 103 769 | 103 769 | 83 294 | 67 198 | 70 178 |
| TOTAL RECEIPTS OF TRANSFERS & GRANTS | | 111 405 | 169 517 | 200 973 | 167 231 | 224 579 | 224 579 | 199 705 | 195 139 | 198 048 |

References

1. Each transfer/grant is listed by name as gazetted together with the name of the transferring department or municipality, donor or other organisation

Tariff Setting

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges are revised under normal circumstances, local economic conditions, input

costs and the affordability of services are considered to ensure the financial sustainability of the Municipality.

Municipalities also use benchmarking to ensure that the tariffs we apply are within the industry norm as operational requirements and service standards of comparable sizes and demographics of municipalities are similar and a deviation from this norm will give an indication of whether a municipality may be heading for disaster in the application of its tariff strategy.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities should justify in their budget documentation all increases in excess of the 6.0% upper boundary of the South African Reserve Bank's inflation target in accordance with budget circular 99. It is acknowledged that excessive increases are likely to be counterproductive to economic growth and development thereby resulting in higher levels of non-payment yet the municipality has no alternative but to embark on this avenue to ensure the financial viability and sustainability as well as quality of services rendered.

The study to determine cost reflective tariffs for refuse services was completed in the 2017/2018 financial year and the municipality will continue with the rollout of the refuse tariff as planned over the 5 year horizon to ensure the financial sustainability of the refuse removal service.

Another contributing factor to the general tariff increase is the anticipated wage increase currently estimated at 6.25% that must be applied as part of the multi-year wage negotiation process.

The guideline price increase for electricity to municipalities are 8.1% resulting in municipal customers having to pay 6.9% more for electricity. This might still change as NERSA and Eskom are still negotiating tariff increases. The municipality has embarked on a cost of supply study to analyze the cost elements of the electricity service in an endeavor to propose user tariffs that adequately cover the cost of the service going forward. The study was based on a revenue neutrality principle where the proposed tariffs were determined to raise the same total revenue amount for electricity.

The tariff study is a requirement from the National Energy Regulator and sets the basis for future tariff determinations, without the study, to support the annual tariff determination the risk of lower than guideline tariff approvals remain immanent placing the sustainability of the electricity service as well as the financial wellbeing of the municipality at risk.

Apart from the amended tariff structure, it is proposed to increase the electricity price to municipal customers by an average of 6.9 % as the bulk purchase price from Eskom to the municipality increases by 8.1%, still leaving the municipality to subsidize the difference of 1.2%

Other factors contributing to the rising cost include the anticipated collectively agreed upon wage increase which is also above the upper boundary of inflation target set by the South African Reserve Bank, the continued increase in the price of petrol and diesel as well as chemicals, spares and other materials that collectively contribute to the extent that tariffs needs to be increased annually.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The

municipality implemented a new valuation roll with effect from 1 July 2017 and the assessment rates tariff was restructured to ensure revenue neutrality based on the new valuation totals in accordance with the provisions of the Municipal Property Rates Amendment Act.

The third supplementary valuation roll has been done adding a negatable increase in the rates base over the MTREF, it is evident from the lack in growth in the rates base that the growth in the property sector has slowed down and therefore additional sources of revenue must be explored to supplement rates revenue. It is also important that an environment for economic development is created through the provision of high quality reliable municipal services.

The assessment rates tariff is proposed to be increase by a moderate 6% which is within the growth parameter set by the National Treasury in an effort to assist ratepayers in the trying economic times especially considering the burden of the excessive electricity tariffs that the municipality is compelled to charge to cover the bulk purchase price of electricity.

From an analysis of the budget and especially rates and general services that include all community services related activities as well as social and developmental issues, it is evident that the rates and general services expenditure is still not covered by the charging of assessment rates and unintentionally cross-subsidized through other services fees and charges.

The table hereunder illustrates the expenditure and revenue in respect of community and strategic services clearly illustrating the shortfall in funding:

| Section | Expenditure | Revenue | Shortfall |
|-----------------------------------------------------------|-----------------------|----------------------|-----------------------|
| Office of HOD - Community Services | 17 184 416.05 | - | 17 184 416.05 |
| Protection Services | 37 923 366.33 | 11 405 259.74 | 26 518 106.59 |
| Parks & Recreation | 27 304 130.29 | 1 750 393.92 | 25 553 736.37 |
| Library Services | 7 267 492.51 | 7 128 000.00 | 139 492.51 |
| Council Buildings & Halls | 12 403 450.94 | - | 12 403 450.94 |
| Strategic Services | 23 577 341.65 | - | 23 577 341.65 |
| Total | 125 660 197.78 | 20 283 653.66 | 105 376 544.12 |
| Assessment rates revenue | | | 98 792 877.68 |
| Shortfall to be funded through cross subsidization | | | 6 583 666.44 |

The following stipulations in the Property Rates Policy are highlighted:

- The first R 15 000 of the market value of a property used for residential purposes is exempted from the rate-able value (Section 17(h) of the MPRA).
- In terms of the property rates policy of the municipality and tariff determination of the council in the past, certain categories of ratepayers receive rebates in excess of the ratio determination by the minister in accordance with the Municipal Property rates Act, the municipality thereby forgoes revenue in addition to rebates allowed in terms of the act, the rebate in respect of agricultural properties is partially reduced to bring it more in line with the prescribed ratio as determined and to aid with the financial recovery of the municipality.
- A rebate will be granted to registered indigents in terms of the Indigent Policy exempting this category of consumer from paying for rates on the first R70, 000 of valuation.
- Relief measures based on income and ill-health is also available under certain conditions as contained in the schedule of tariffs.

- Relief measures on property rates for pensioner are also extended up to a combined monthly income of R12,000 for pensioners under conditions as stipulated in the indigent and subsidy policy of the municipality.
- The following conditions apply to the granting of the rebates
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse.
 - The applicant must submit proof of his/her age and identity and also proof of the annual income, or disability.
 - The property must be utilized for residential purposes or in the case of agricultural properties for bona-fide farming activities.
- The Municipality may also allow a rebate on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work and public benefit organizations as defined in the property rates policy of the municipality. The owner of such a property must apply to the Chief Financial Officer in the prescribed format and at the prescribed date in order to qualify for the relief.

The categories of ratable properties for purposes of levying rates and the proposed rates for the 2020/2021 financial year based on a 6% increase in monthly amount payable from 1 July 2020 are contained below.

Table 6 Comparison of proposed rates 2020/2021 to that levied for 2019/2020

| Category | Current Tariff (1 July 2019) | Proposed tariff (from 1 July 2019) | Difference | % increase(-) / Decrease |
|--------------------------------|---------------------------------|---------------------------------------|------------|-----------------------------|
| | c/R | c/R | c/R | |
| Residential properties | 1.1384 | 1.2068 | 0.0683 | 6.0 |
| State owned properties | 1.5289 | 1.6206 | 0.0917 | 6.0 |
| Business/Commercial/Industrial | 1.5652 | 1.6591 | 0.0939 | 6.0 |
| Agricultural | 0.1992 | 0.2112 | 0.0120 | 6.0 |

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa, and more particularly the Western Cape faces similar challenges with regard to water supply as it did with electricity, the country was faced with some of the highest temperatures ever recorded and the drought still has its grip on the country. It is therefore of essence that water tariffs are designed to curb wastage, to protect the valuable resource and to be cost reflective. The municipality must ensure that water complies with all applicable quality standards which also adds to the cost of rendering the service. The water tariff structure must therefore ensure that:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification or treatment plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

A significant amount will be spent on the refurbishment of reservoirs as well as the replacement of critical portions current water networks that have reached the end of its useful life and is burdening the municipality with excessive maintenance and overtime cost due to continued breakages. The units of water lost in distribution are also excessive as a result of continued failure of infrastructure. The focus will be in the areas which encounter the most breakages and critical reservoir repairs will also be undertaken to protect the water resource.

A tariff increases of between 5.6% and 10.5% from 1 July 2020 for water is proposed where the principle of higher quantity at a higher rate is applied. This is based on input cost assumptions inclusive of the increase in the cost of bulk water from Department of Water, increased wage bill of 6.25% and the cost of repairs and renewals amounting to R7 Million funded through the capital allocation from borrowing and own funds.

Maintenance cost in the amount of R 3.9 Million is also budgeted in respect of water services infrastructure.

Free basic water will be provided to indigent consumers as well as pensioners qualifying for a rebate on assessment rates subject to the conditions as set out in the assessment rates tariff at 6 kℓ water per month.

The municipality cannot afford to provide free basic water to all the residents as the equitable share allocation to subsidize free basic services is insufficient to cover the cost thereof.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 7 Proposed Water Tariffs

| CATEGORY | CURRENT TARIFFS 2019/20 | PROPOSED TARIFFS 2020/2021 |
|---------------------------------------------------------------------------------------------|-----------------------------|-------------------------------|
| | Rand per kℓ VAT Excluded | Rand per kℓ VAT Excluded |
| RESIDENTIAL | | |
| (i) 0 to 6 kℓ | 5.87 | 6.20 |
| (ii) Above 6 to 15 kℓ | 8.52 | 9.09 |
| (iii) Above 15 to 30 kℓ | 11.60 | 12.61 |
| (iv) Above 30 to 50 kℓ | 13.97 | 15.33 |
| (v) Above 50 to 75 kℓ | 17.15 | 19.04 |
| (vi) Above 75 kℓ | 20.14 | 22.6 |
| RESIDENTIAL GROUP HOUSING, FLATS, OLD AGE HOMES AND SCHOOLS MEASURED AS BULK | | |
| Price per kℓ | 12.11 | 13.20 |
| SPORT CLUBS AND MUNICIPAL | | |
| (i) 0 to 150 kℓ | 6.10 | 6.65 |
| (ii) Above 150 kℓ | 7.86 | 8.57 |
| COMMERCIAL, INDUSTRIAL, GOVERNMENT | NEW TARIFF | |
| (i) 0 to 75 kℓ | 14.55 | 15.71 |
| (ii) Above 75 to 150 kℓ | 16.60 | 18.1 |
| (iii) Above 150 kℓ | 22.16 | 24.38 |

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

Table 8 Comparison between current water charges and increases (Domestic)

| Monthly consumption | Current amount payable | Proposed amount payable | Difference R/c | % Increase |
|---------------------|------------------------|-------------------------|----------------|------------|
| 6 | 35.22 | 37.2 | 1.98 | 5.62 |
| 20 | 169.9 | 182.06 | 12.16 | 7.16 |
| 30 | 285.9 | 308.16 | 22.26 | 7.79 |
| 50 | 565.3 | 614.76 | 49.46 | 8.75 |
| 75 | 994.05 | 1090.76 | 96.71 | 9.73 |
| 100 | 1497.55 | 1655.76 | 158.21 | 10.56 |

The proposed water tariffs are still well within the benchmark and compares favorably with that of other municipalities in the Eden District.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the proposed revised bulk electricity pricing structure, and an 8.1% increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2020.

Upon considering all the cost elements that make up the cost of electricity such as labour, maintenance, materials, fuel as well as vehicles and the rental of equipment in accordance with the formula provided by NERSA, the average tariff increase is proposed to be 6.9% for municipal customers. The increase can still be amended, as Eskom and NERSA are still in negotiations.

The municipality will submit the cost of supply study to NERSA which when approved will fix the pricing principles that the municipality will apply for the foreseeable future. This will also aide in future tariff increase motivations and will ensure predictability in tariff setting over the MTREF in respect of electricity.

The high electricity prices have resulted in a downward trend in the average consumption patterns of consumers in an attempt to mitigate the effect of the increased cost of electricity, this is resulting in a negative impact on the municipal electricity revenue. Considering higher than normal proposed tariff increases in the draft budget, it is anticipated that consumption patterns will be similar to that of the current financial year.

Free electricity to registered indigents will be granted at 50 units as per the national norm and allowed in accordance with the equitable share grant to municipalities, Pensioners qualifying for assessment rates rebate will also be given the first 50 units of electricity free of charge.

The following table shows the impact of the average proposed increases in electricity tariffs on the electricity charges for domestic customers:

Table 9 Comparison current vs. new electricity charges (Domestic up to 60A connection)

| Monthly Consumption kWh | Current amount payable R | Proposed amount Payable R | Difference (Increase) R | Percentage change |
|--------------------------------|---------------------------------|----------------------------------|--------------------------------|--------------------------|
| 100 | 207.83 | 222.58 | 14.75 | 7.10% |
| 250 | 459.83 | 492.58 | 32.75 | 7.12% |
| 500 | 879.83 | 942.58 | 62.75 | 7.13% |
| 750 | 1299.83 | 1 392.58 | 92.75 | 7.14% |
| 1000 | 1719.83 | 1 842.58 | 122.75 | 7.14% |
| 2000 | 3399.83 | 3 642.58 | 242.75 | 7.14% |

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increases of 9 % for sanitation from 1 July 2020 is proposed. The increase in tariff is necessary to ensure that service delivery standards are met and to secure the long-term sustainability of the service over the medium term.

The increase in operational cost which includes the rising wage cost of 6.9%, the increase in electricity used in purification and pumping processes, the increase in fuel prices and the general increase in the price of goods and services also contributes to the higher tariff necessary to ensure the financial sustainability of the service. It must also be emphasized that the municipality must ensure that purification processes complies with quality standards and that green drop status is achieved in the near future.

In order to ensure compliance with purification standards, it is also necessary to employ suitably qualified staff to operate the waste water treatment plants which contributes to the cost associated with the service. Provision has been made in the budget for the filling of critical vacancies in the department to ensure compliance with the standards set by the department of Water and Sanitation.

A cost reflective study was conducted to determine the financial sustainability in the method of billing consumers per toilet versus a fixed charge per connection. This study revealed that if the municipality to be introducing a fixed charge per connection for sewerage, the category of consumers with one toilet will pay in excess of 45% more per annum, while the consumers with five or more toilets will pay 27% less for this service per annum.

The municipality thus will still charge per toilet during the 2020/2021 financial year, but is currently given the consideration to link the sewer charge based on a certain percentage of water consume in the variable charge's category, and to introduced a fixed charge together with the mentioned charge during the 2021/2022 financial year. Consideration must also be given to the fact that variable sewer charges based on a percentage of water consumption, in the time of drought and water restrictions, will also be taken into consideration when the municipality will investigate the above method of billing, as a significant reduction in consumption of water may have a devastating impact on revenue for both water and sanitation services alike thus rendering both services unsustainable.

Table 10 Comparison between current sanitation charges and increases

| Description | 2019/20 Tariff per annum | 2020/21 Tariff per annum | Increase |
|------------------------------------------------|-----------------------------|-----------------------------|----------|
| Single residential per toilet per annum | 1 425.60 | 1 553.90 | 9.00 |
| Business and guest houses per toilet per annum | 1 555.20 | 1 695.17 | 9.00 |
| Availability charges per annum | 2 596.80 | 2 830.51 | 9.00 |
| Septic Tank removals | 496.00 | 530.00 | 6.85 |

1.4.5 Waste Removal and Impact of Tariff Increases

Budget circular 66 and 67 state that municipalities should strive to budget for a moderate surplus in order to ensure that the required funding levels are maintained and to ensure that the provision for the rehabilitation of the land fill site is cash backed. Budget Circular 89 again emphasizes the fact that tariffs should cover the cost of services and therefore a tariff study was undertaken during the 2017/2018 financial year already to ensure full cost recovery of the refuse service through application of user tariffs.

In order to attain a position where tariffs will cover the full cost of the service, above the norm tariff increases for refuse removal was determined, the municipality will continue to implement these tariffs over a 5-year horizon and therefore the tariff for refuse for the 2020/2021 financial year will increase by 12%.

The Municipality is in a fortunate position that the landfill site still has a long remaining lifespan, yet the cost relating to the provision for rehabilitation of the current cell in use needs to be cash backed once the end of the useful life of the cell has been reached.

The municipality is currently in process to construct a fence around the refuse disposal site where-after a recycling and sorting facility will be constructed, this will not only aide in generating revenue for people involved in recycling, but will also extend the lifespan of the dumpsite.

It is very unfortunate that littering and illegal dumping persistently practiced by residents and that is adding to the cost of the cleansing service through additional clean-up campaigns and continuous unscheduled clean-up programs. The ageing plant and equipment needs to be replaced over the remainder of the MTREF and provision has been made on the budget for the replacement of refuse compactors that are more than 15 years old and not further economical to repair or maintain. The municipality therefore has no alternative but to apply the tariff increases as alluded to above as well as over the over the next 4 financial years.

The following table compares current and proposed amounts payable from 1 July 2020:

Table 11 Comparison between current waste removal fees and increases

| Description | 2019/2020 | 2020/21 | Difference | % increase |
|---------------------------------|-----------|----------|------------|------------|
| Household removal once per week | 1 538.62 | 1 723.26 | 184.64 | 12.00 |
| Business removal per week | 2 097.94 | 2 349.69 | 251.75 | 12.00 |
| Business additiona per each bag | 13.99 | 15.67 | 1.68 | 12.01 |

1.4.6 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

Note that in all instances the overall impact of the tariff increases on household's bills has been kept to an average of 7.3% and 6.6% for indigents. The increase for indigent households will of course be limited due to the basket of free basic services being subsidized.

Table 12 MBRR Table SA14 – Household bills

| Choose name from list - Supporting Table SA14 Household bills | | | | | | | | | | | |
|-------------------------------------------------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|---------------------|------------------------|------------------------|
| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 % incr. | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Rand/cent | | | | | | | | | | | |
| <u>Monthly Account for Household - 'Middle Income Range'</u> | 1 | | | | | | | | | | |
| Rates and services charges: | | | | | | | | | | | |
| Property rates | | 621.09 | 572.95 | 614.20 | 649.83 | 649.83 | 649.83 | 6.0% | 688.82 | 730.15 | 773.96 |
| Electricity: Basic levy | | 32.93 | 33.52 | 35.23 | 39.83 | 39.83 | 39.83 | 6.9% | 42.58 | 45.13 | 47.84 |
| Electricity: Consumption | | 1 487.67 | 1 520.00 | 1 600.00 | 1 680.00 | 1 680.00 | 1 680.00 | 7.1% | 1 800.00 | 1 908.00 | 2 022.48 |
| Water: Basic levy | | 95.03 | 104.91 | 113.51 | 120.32 | 120.32 | 120.32 | 6.0% | 127.54 | 135.19 | 143.30 |
| Water: Consumption | | 225.60 | 243.21 | 253.74 | 264.76 | 264.76 | 264.76 | 8.0% | 285.90 | 303.05 | 321.24 |
| Sanitation | | 187.10 | 206.57 | 223.10 | 237.50 | 237.50 | 237.50 | 9.0% | 258.98 | 282.29 | 307.69 |
| Refuse removal | | 95.26 | 105.44 | 116.34 | 128.22 | 128.22 | 128.22 | 12.0% | 143.60 | 160.83 | 180.13 |
| Other | | – | 134.10 | 211.50 | 238.95 | 238.95 | 238.95 | 7.0% | 255.60 | 270.94 | 287.19 |
| sub-total | | 2 744.67 | 2 714.13 | 3 167.62 | 3 359.41 | 3 359.41 | 3 359.41 | 7.3% | 3 603.02 | 3 835.59 | 4 083.84 |
| VAT on Services | | | | | | | | | | | |
| Total large household bill: | | 2 744.67 | 2 714.13 | 3 167.62 | 3 359.41 | 3 359.41 | 3 359.41 | 7.3% | 3 603.02 | 3 835.59 | 4 083.84 |
| % increase/-decrease | | | (1.1%) | 16.7% | 6.1% | – | – | 7.3% | 7.3% | 6.5% | 6.5% |
| <u>Monthly Account for Household - 'Affordable Range'</u> | 2 | | | | | | | | | | |
| Rates and services charges: | | | | | | | | | | | |
| Property rates | | 439.75 | 405.67 | 434.88 | 460.10 | 460.10 | 460.10 | 6.0% | 487.70 | 516.96 | 547.98 |
| Electricity: Basic levy | | 158.54 | 33.52 | 35.23 | 39.83 | 39.83 | 39.83 | 6.9% | 42.58 | 45.13 | 47.84 |
| Electricity: Consumption | | 743.83 | 760.00 | 855.00 | 840.00 | 840.00 | 840.00 | 7.1% | 900.00 | 954.00 | 1 011.24 |
| Water: Basic levy | | 95.03 | 104.01 | 113.51 | 120.32 | 120.32 | 120.32 | 6.0% | 127.54 | 135.19 | 143.30 |
| Water: Consumption | | 176.92 | 194.26 | 208.96 | 227.90 | 227.90 | 227.90 | 7.6% | 245.11 | 259.82 | 275.41 |
| Sanitation | | 187.11 | 103.29 | 111.55 | 118.80 | 118.80 | 118.80 | 9.0% | 129.49 | 141.14 | 153.85 |
| Refuse removal | | 95.26 | 105.16 | 116.04 | 128.22 | 128.22 | 128.22 | 12.0% | 143.60 | 160.83 | 180.13 |
| Other | | – | | | 159.30 | 159.30 | 159.30 | 7.0% | 170.40 | 180.62 | 191.46 |
| sub-total | | 1 896.44 | 1 705.91 | 1 875.17 | 2 094.47 | 2 094.47 | 2 094.47 | 7.3% | 2 246.42 | 2 393.71 | 2 551.21 |
| VAT on Services | | | | | | | | | | | |
| Total small household bill: | | 1 896.44 | 1 705.91 | 1 875.17 | 2 094.47 | 2 094.47 | 2 094.47 | 7.3% | 2 246.42 | 2 393.71 | 2 551.21 |
| % increase/-decrease | | | (10.0%) | 9.9% | 11.7% | – | – | 7.3% | 7.3% | 6.6% | 6.6% |
| <u>Monthly Account for Household - 'Indigent' Household receiving free basic services</u> | 3 | | | | | | | | | | |
| Rates and services charges: | | | | | | | | | | | |
| Property rates | | 194.94 | 192.38 | 206.23 | 218.19 | 218.19 | 218.19 | 6.0% | 231.28 | 245.16 | 259.87 |
| Electricity: Basic levy | | – | – | – | – | – | – | – | – | – | – |
| Electricity: Consumption | | 444.82 | 567.00 | 556.50 | 588.00 | 588.00 | 588.00 | 6.5% | 626.50 | 664.09 | 703.94 |
| Water: Basic levy | | – | – | – | – | – | – | – | – | – | – |
| Water: Consumption | | 106.22 | 114.47 | 123.29 | 134.68 | 134.68 | 134.68 | 7.6% | 144.86 | 157.90 | 172.11 |
| Sanitation | | | | | | | | | | | |
| Refuse removal | | | | | | | | | | | |
| Other | | | | | | | | | | | |
| sub-total | | 745.97 | 873.85 | 886.02 | 940.87 | 940.87 | 940.87 | 6.6% | 1 002.64 | 1 067.15 | 1 135.91 |
| VAT on Services | | | | | | | | | | | |
| Total small household bill: | | 745.97 | 873.85 | 886.02 | 940.87 | 940.87 | 940.87 | 6.6% | 1 002.64 | 1 067.15 | 1 135.91 |
| % increase/-decrease | | | 17.1% | 1.4% | 6.2% | – | – | 6.6% | 6.6% | 6.4% | 6.4% |

1.5 Operating Expenditure Framework

Oudtshoorn Municipality's expenditure framework for the 2020/2021 budget and MTREF is informed by the following:

- Improvement in the quality of service delivery across all services.
- Ensuring the financial sustainability of the municipality over the medium and long term.
- Repairs and maintenance expenditure are still limited due to the financial difficulties however an amount of R 22.5 Million has been set aside for materials in respect of repairs and maintenance and in addition thereto 52.6 per cent the capital budget is allocated for the upgrading of existing assets representing an amount of R 47 Million.
- Continued provision of basic services remains a high priority as well as the financial sustainability of services.
- Operational gains and efficiencies will be directed to ensure appropriate cash backing of statutory funds, provisions and reserves as well as funding the capital budget and other core services in the medium term.

The following table is a high-level summary of the 2020/2021 budget and MTREF (classified per main type of operating expenditure):

Table 13 Summary of operating expenditure by standard classification item

| Description | 2016/17 | 2017/18 | 2018/19 | Current Budget Year 2019/20 | | | | 2020/21 Medium Term and Revenue Expenditure framework | | |
|---------------------------------|-----------------|-----------------|-----------------|-----------------------------|-----------------|--------------------|-------------------|-------------------------------------------------------|------------------------|------------------------|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Expenditure By Type | | | | | | | | | | |
| Employee related costs | 186 515 | 215 633 | 233 488 | 276 836 | 271 737 | 271 737 | 271 737 | 272 729 | 291 820 | 312 247 |
| Remuneration of councillors | 9 484 | 10 022 | 10 887 | 11 650 | 11 883 | 11 883 | 11 883 | 11 303 | 11 823 | 12 367 |
| Debt impairment | 16 068 | 36 123 | 34 636 | 18 932 | 20 522 | 20 522 | 20 522 | 22 351 | 22 072 | 23 931 |
| Depreciation & asset impairment | 35 095 | 34 286 | 40 702 | 41 305 | 41 156 | 41 156 | 41 156 | 43 172 | 45 158 | 47 235 |
| Finance charges | 14 673 | 11 575 | 8 021 | 11 252 | 4 722 | 4 722 | 4 722 | 5 911 | 5 644 | 5 099 |
| Bulk purchases | 146 709 | 147 637 | 153 186 | 181 100 | 180 100 | 180 100 | 180 100 | 188 000 | 197 776 | 207 665 |
| Other materials | 7 020 | 12 703 | 19 276 | 27 246 | 26 549 | 26 549 | 26 549 | 27 101 | 27 101 | 27 101 |
| Contracted services | 26 384 | 21 459 | 23 211 | 38 969 | 37 440 | 37 440 | 37 440 | 41 630 | 37 074 | 36 588 |
| Transfers and subsidies | 3 022 | 2 947 | 3 788 | 3 240 | 5 127 | 5 127 | 5 127 | 5 693 | 5 741 | 6 861 |
| Other expenditure | 42 662 | 81 984 | 98 878 | 78 121 | 91 509 | 91 509 | 91 509 | 86 569 | 96 255 | 94 180 |
| Loss on disposal of PPE | 709 | 2 450 | - | - | - | - | - | - | - | - |
| Total Expenditure | 488 342 | 576 820 | 626 072 | 688 652 | 690 745 | 690 745 | 690 745 | 704 459 | 740 465 | 773 274 |

The budgeted allocation for employee related costs for the 2020/2021 financial year totals R 272.729 Million, which equals 38.7% of the total operating expenditure. A new multi-year collective agreement was concluded for the period 2018 to 2021 resulting in a collectively agreed upon wage increase of 6.25% for the 2020/2021 financial year.

It must be emphasized that employee related cost has reached the upper limit of an acceptable ratio for employee cost to total expenditure being 38.7% of operational cost. This is way above the target set in the financial recovery plan of 32% for the conclusion of the 2019/2020 financial year.

The current ratio of employee cost to total expenditure is not sustainable and funding has been set aside through a provincial grant for an organizational redesign study to be performed to ensure a right fit workforce and to curb employee cost at an acceptable level going forward. Emphasis is therefore once again be given to the reduction of employee related cost over the MTREF, bearing in mind operational efficiencies and service delivery needs of the community that must be addressed.

In order to ensure economic viability and to not overstretch the already limited financial resources, and cash management strategy vacancies have been significantly rationalized downwards, yet more needs to be done to limit the expenditure in this regard over the MTREF. In accordance with the requirements of mSCOA, organogram budgeting was done to ensure that staff that are not provided for on the approved organogram cannot be appointed.

Due to the high cost associated with the filling of all positions on the organizational structure, it was once again not possible to fund all requested vacancies for the 2020/2021 financial year, therefore only those critical to service delivery that are compelled by legislation and highlighted in the report from the Auditor-General have been catered for.

After the completion of the organizational redesign, consideration will be given to the funding of critical vacancies subject to funding being available and the limit of employee cost to total expenditure being within the norm.

The cost associated with the remuneration of public office bearers is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The remuneration cost of councilors is partially subsidized through the equitable share allocation awarded to the municipality in terms of the division of revenue Act. The total equitable share awarded to Oudtshoorn for the 2020/2021 financial year, inclusive of the subsidy towards councilor remuneration, amounts to R 78.6 million.

The provision of debt impairment was determined based on an annual collection rate of 95% and the Debt Write-off Policy of the Municipality. The current average collection rate equals 93% as at end of February 2020 and it is anticipated that the recovery of debt, through the increase in debt collection action will reach a level of 95% upon conclusion of the current financial year. It is anticipated that irrecoverable debt in respect of rates and service charges in the amount of R 24.5 Million will be written off during the course of the 2020/2021 financial year. The total amount budgeted for the write-off of debt as well as the contribution to the provision for irrecoverable debt that include traffic fines that are uncollectible amount to R22.3 Million for the 2020/2021 financial year.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate at which assets are consumed. Budget appropriations in this regard have increased significantly after the revision of the Fixed Asset Register from an originally budgeted R41 million for the 2019/20 financial year to an amount of R 43 Million for the 2020/2021 financial year. This expenditure item equates to 6% of the total operating expenditure for 2020/2021.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital) as well as the repayment of vehicle leases. Finance charges make up 1.63% (R5.9 Million) of operating expenditure excluding annual redemption for 2020/2021 amounting to R16.8 million and increases slightly over the MTREF. Oudtshoorn Municipality still has a sound

borrowing ratio, and the liquidity position has sufficiently recovered to allow for borrowing to be taken up over the MTREF. It is proposed that borrowing as a funding option be considered over the MTREF in the amount of R33 Million made up of R16.5 Million in respect of the 2020/2021 financial year and R16.5 million for 2021/22. The Long-Term Financial Plan originally indicated that borrowing should only be considered as municipal own revenue as a source of funding remains limited and critical refurbishment and repairs to infrastructure necessitated this funding option to be considered earlier.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from the Department of Water. Bulk purchases equal 27% of total expenditure. The annual price increase has been factored into the budget appropriations and directly inform the revenue provisions. The expenditure includes electricity distribution losses which equals approximately 11.14%. Water distribution losses as at 30 June 2019 amounted to 16.07 % and a concerted effort is necessary to ensure the reduction of the losses to further reduce and stay within acceptable norms.

Maintenance is once again prioritized to ensure the health of assets, yet the financial position still does not enable the municipality to sufficiently budget for all maintenance requirements therefore the focus is once again on critical repairs and maintenance to secure sustainable service delivery.

It is very unfortunate that the necessary care and attention was not given to repairs and maintenance over the last 2 decades resulting in the regression of services and the dilapidation of assets. It has now become critical to set funds aside for the refurbishment and replacement of current assets that have aged beyond their intended useful lives. This has been done through the borrowing program alluded to herein above.

In line with Oudtshoorn Municipality's repairs and maintenance plan, this group of expenditure needs to be prioritized to ensure sustainability of Oudtshoorn Municipality's infrastructure. The 2020/2021 allocation for this group of expenditure represents 3% of operating expenditure (R22.5 million) and although it does not meet the target as set in the financial recovery plan it represents an increase of only R1 million from 2019/20. The amount spent on maintenance does not include the full cost of contracted services nor the labour cost associated with maintenance activities. Furthermore, an amount of R59.8 Million of the new capital budgets has been allocated to the refurbishment and renewal of current assets representing 55% of the capital budget for 2020/2021

Contracted services relate to the provision of services by means of the appointment of service providers where the necessary in-house skills are not available or have not yet been adequately developed. Specialist services such as security services, speed fines services as well as technical expertise in both engineering and finance are also used for specific programs and projects to supplement in-house capacity and to provide professional expertise where required. Certain functions also require the contracting of specialist knowledge contracted from time to time due to the fact that the municipality cannot afford to employ experts on a full-time basis. This category of expenditure equates to R41.6 million or 6 % of operating expenses for the 2020/2021 financial year.

Other general expenditure comprises of various line items relating to the daily operations of the municipality. These costs include items such as audit fees in the amount of R6 million, rates rebates, SALGA membership fees, fuel and lubricants, insurance cost, telephone expenses, printing cost, and other domestic expenses as well as a variety of other operating cost. This group of expenditure remains an area in which cost savings and efficiencies can further be achieved. Other general expenditure amounts to 12% or R86.5 million for the 2020/2021 financial year.

The following graph gives a breakdown of the main expenditure categories for the 2020/2021 financial year.

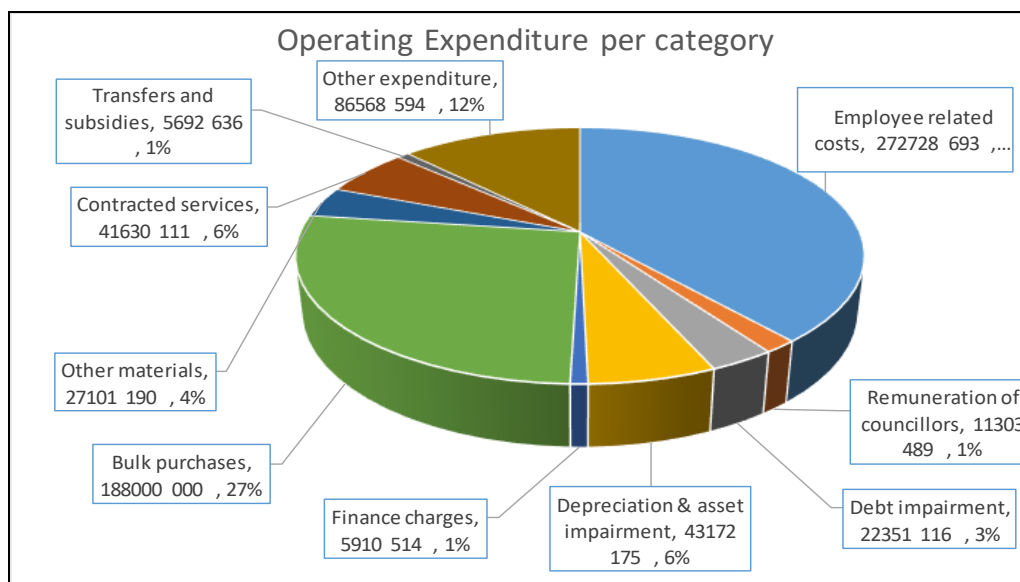


Figure 1 Main operational expenditure categories for the 2020/2021 financial year

1.5.1 Priority given to repairs and maintenance

In order to ensure the health of the assets of the municipality and to prolong the useful lives, it is necessary to ensure that repairs and maintenance is adequately budgeted. Budget circular 66 cautions municipalities not to affect savings in repairs and maintenance to balance the budget but to ensure that sufficient budgetary allocation is made for this expenditure item. As already alluded to the financial position is limiting the efforts in ensuring that adequate provision for repairs and maintenance are made this category of expenditure, nonetheless the expenditure in respect of repairs and maintenance materials represent 3% of operating expenditure (R22.5 million) and although it does not meet the target as set in the financial recovery plan it represents an increase of R6.6 Million since 2017/2018.

Repairs and maintenance steadily increase over the MTREF and financial resources needs to be focused towards this category of expenditure going forward to secure continuity in service delivery and ensure that the health of assets are adequately protected.

The table below provides a breakdown of the repairs and maintenance in relation to each asset class:

Table 14 Repairs and maintenance per asset class

| Description | 2015/16 | 2016/17 | 2017/18 | Current Year 2018/19 | | | 2019/20 Medium Term Revenue & Expenditure Framework | | |
|-----------------------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2019/20 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| Depreciation | 35 095 | 34 286 | 40 702 | 41 305 | 41 156 | 41 156 | 43 172 | 45 158 | 47 235 |
| Repairs and Maintenance by Asset Class | 16 270 | 15 922 | 16 978 | 23 025 | 21 665 | 21 665 | 22 546 | 22 458 | 22 575 |
| Roads Infrastructure | 5 895 | 5 666 | 6 173 | 5 119 | 3 598 | 3 598 | 3 844 | 3 844 | 3 844 |
| Storm water Infrastructure | - | - | - | - | - | - | - | - | - |
| Electrical Infrastructure | 1 786 | 2 823 | 2 703 | 2 852 | 3 352 | 3 352 | 2 852 | 2 856 | 2 858 |
| Water Supply Infrastructure | 1 879 | 2 886 | 3 068 | 3 633 | 3 603 | 3 603 | 3 949 | 4 011 | 4 078 |
| Sanitation Infrastructure | 917 | 1 404 | 1 623 | 958 | 908 | 908 | 844 | 844 | 844 |
| Solid Waste Infrastructure | 3 012 | 317 | 430 | - | - | - | - | - | - |
| Infrastructure | 13 489 | 13 096 | 13 996 | 12 562 | 11 460 | 11 460 | 11 490 | 11 555 | 11 624 |
| Community Facilities | 288 | - | - | 60 | 30 | 30 | 60 | 60 | 60 |
| Sport and Recreation Facilities | 582 | - | - | 537 | 617 | 617 | 956 | 961 | 966 |
| Community Assets | 870 | 870 | 1 525 | 569 | 602 | 602 | 597 | 630 | 664 |
| Operational Buildings | 443 | - | - | 3 316 | 3 306 | 3 306 | 3 864 | 3 674 | 3 684 |
| Other Assets | 443 | 443 | 460 | 2 805 | 3 084 | 3 084 | 3 316 | 3 495 | 3 684 |
| Licences and Rights | - | - | - | - | - | - | - | - | - |
| Intangible Assets | | - | - | - | - | - | - | - | - |
| Computer Equipment | 178 | - | - | 265 | 265 | 265 | 210 | 210 | 210 |
| Furniture and Office Equipment | - | - | - | 185 | 173 | 173 | 152 | 156 | 162 |
| Machinery and Equipment | 1 291 | 2 826 | 2 982 | 4 479 | 4 193 | 4 193 | 4 294 | 4 321 | 4 346 |
| Transport Assets | - | - | - | 1 621 | 1 621 | 1 621 | 1 520 | 1 521 | 1 523 |

For the 2020/2021 financial year 52.2% or R 11.49 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received 12.4% (R2.85 million), road infrastructure receives the bulk being 16.88% (R3.8 million), sanitation 3.7% (R0.84 million) and water 17.3% (R3.9 million). Community assets and buildings and facilities have been allocated R3.9 million of total repairs and maintenance equating to 17.3% of the repairs and maintenance materials budget.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that have earnings below the poverty threshold as defined by the national treasury of 2 times the government old age pension, or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of Oudtshoorn Municipality's Indigent Policy. It is estimated that approximately 7000 households will receive subsidy on tariffs and rates in the 2020/2021 financial year by means of the full basket of services given as Indigent subsidies. The estimated expenditure on free and subsidized services, inclusive of assessment rate rebates will exceed R 50 million for the 2020/2021 financial year.

The performance on delivery of housing is adding to the quantum of subsidized services as the bulk of new customers qualify to be subsidized. A significant burden is placed on revenue streams as the revenue base is not growing sufficiently to sustain the growing number of free services.

The subsidy in respect of free services will be paid strictly in accordance with the national norms and within the limitations of the equitable share that the municipality receives from the national fiscus. The indigent process is one of self-registration therefore households needing assistance must annually apply for the subsidy. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement)

The cost of the social package of the registered indigent households is largely financed by the national government through the local government equitable share received in terms of the annual Division of Revenue Act. The equitable share is therefore proportionately divided between the rates and other services delivery votes as a subsidy towards the services. It needs to be mentioned that the current number of registered indigent households exceed 7000 and represents approximately 33% of the current customer base.

1.5.3 Congo Caves

The Congo Caves are included as a municipal department in the municipal budget as classified in accordance with the GFS. The caves are run as a municipal function and revenue accrues to the general municipal revenue account and expenditure is accounted for through municipal expenditure votes.

A net operating surplus of R3.6 Million is budgeted for the 2020/2021 financial year before considering capital or refurbishment cost in the amount of R 2.1 million to upgrade the ablution facilities.

An amount of R577 000 is further budgeted for repairs and maintenance to ensure safety of staff and visitors. Admission tariffs are increased with varied percentage as illustrated in the attached tariff annexure and compares well with other tourist attractions in the Oudtshoorn area.

The revised marketing plan for the caves for the 2020/2021 financial year must be approved by council and an amount in excess of R1.2 Million has been set aside for advertising, marketing, publicity and related expenditure which includes local and international travelling cost. This plan will focus on the sustainability of the Congo Caves as the main tourism attraction of the town, due to the decline in the global and domestic environment.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

| DRAFT CAPITAL BUDGET MTREF 2020/21 (PER PROJECT, VOTE AND FUNDING SOURCE) | | | | | | |
|----------------------------------------------------------------------------|----------------------------|--------------------------------------|-------------------------|------------------------------|------------------------------|--|
| PROJECT DESCRIPTION | FUNDING SOURCE | A5 MUNICIPAL VOTE | DRAFT BUDGET 2020/21 | DRAFT BUDGET YEAR 2021/22 | DRAFT BUDGET YEAR 2022/23 | |
| Office furniture equipment | Internally generated funds | Vote 1 - Executive & Council | 32 400 | | | |
| Electricity equipment | Internally generated funds | Vote 2 - Municipal Manager | 100 000 | - | - | |
| Upgrade restrooms level 1 | Internally generated funds | Vote 2 - Municipal Manager | 2 000 000 | | | |
| Office furniture equipment | Internally generated funds | Vote 3 - Corporate Services | 30 000 | | | |
| Airconditioners | Internally generated funds | Vote 3 - Corporate Services | 28 000 | | | |
| Fingerprint scanner | Internally generated funds | Vote 3 - Corporate Services | 10 000 | | | |
| Office furniture equipment | Internally generated funds | Vote 4 - Financial Services | 30 000 | 30 000 | 30 000 | |
| Office furniture equipment | Internally generated funds | Vote 4 - Financial Services | 30 000 | - | - | |
| Computer and software | Internally generated funds | Vote 4 - Financial Services | 600 000 | 600 000 | 600 000 | |
| Computer and software | Internally generated funds | Vote 4 - Financial Services | 300 000 | 300 000 | 300 000 | |
| Wireless upgrade | Internally generated funds | Vote 4 - Financial Services | 75 000 | 75 000 | 75 000 | |
| 2 way radio project replacement | Internally generated funds | Vote 4 - Financial Services | 200 000 | 200 000 | 200 000 | |
| Time + attendance software + hardware | Internally generated funds | Vote 4 - Financial Services | 700 000 | | | |
| Time + attendance software + hardware | Internally generated funds | Vote 4 - Financial Services | 300 000 | | | |
| Fire suppression system in server room | Internally generated funds | Vote 4 - Financial Services | 100 000 | - | - | |
| Furniture and small equipment | Provincial Government | Vote 5 - Community and Public Safety | 45 435 | | | |
| Replacement of air conditioners | Provincial Government | Vote 5 - Community and Public Safety | 120 000 | | | |
| Upgrading of offices - libraries | Provincial Government | Vote 5 - Community and Public Safety | 272 609 | | | |
| Fencing bridgton & dysseldorp libraries | Provincial Government | Vote 5 - Community and Public Safety | 200 000 | | | |
| Compressor complete with jackhammer | Internally generated funds | Vote 5 - Community and Public Safety | 360 000 | - | - | |
| Digger loader | Internally generated funds | Vote 5 - Community and Public Safety | 1 100 000 | - | - | |
| Office furniture equipment | Internally generated funds | Vote 5 - Community and Public Safety | 30 000 | | | |
| equipment | Internally generated funds | Vote 5 - Community and Public Safety | 200 000 | | | |
| Upgrading of auditorium | Internally generated funds | Vote 5 - Community and Public Safety | 1 200 000 | | | |
| Fire truck | Provincial Government | Vote 5 - Community and Public Safety | - | | 800 000 | |
| Scba set | Internally generated funds | Vote 5 - Community and Public Safety | 150 000 | | | |

| | | | | | |
|----------------------------------------------------|----------------------------|--------------------------------------|------------|------------|------------|
| Hazardous materials equipment | Internally generated funds | Vote 5 - Community and Public Safety | | 260 000 | 270 000 |
| Firefighting and rescue equipment | Internally generated funds | Vote 5 - Community and Public Safety | 500 000 | 160 000 | 170 000 |
| Furniture and small equipment | Internally generated funds | Vote 5 - Community and Public Safety | 200 000 | - | - |
| Upgrading sport facility-bongoletu sportsgrounds | National Government | Vote 5 - Community and Public Safety | | 1 739 130 | 3 000 000 |
| Roller | Internally generated funds | Vote 5 - Community and Public Safety | 350 000 | - | - |
| Cherry picker | Internally generated funds | Vote 5 - Community and Public Safety | 840 000 | - | - |
| Rehab athletic tracks | Borrowing | Vote 5 - Community and Public Safety | 3 500 000 | 3 000 000 | |
| De jager sportstadium equipment | Internally generated funds | Vote 5 - Community and Public Safety | 100 000 | - | - |
| Old new waste disposal site-solid waste | National Government | Vote 5 - Community and Public Safety | 7 356 842 | 15 929 998 | 9 468 536 |
| Laptop/computer and software | National Government | Vote 6 - Technical Services | 43 478 | 43 478 | 43 478 |
| Office furniture equipment | National Government | Vote 6 - Technical Services | 173 910 | 173 910 | 173 910 |
| Roads streets (mig) | National Government | Vote 6 - Technical Services | 1 046 164 | | |
| Upgrading of stormwater system-de rust | National Government | Vote 6 - Technical Services | 1 685 680 | | |
| Upgrading of stormwater systems | National Government | Vote 6 - Technical Services | 574 384 | | |
| Paving of streets | National Government | Vote 6 - Technical Services | | | 7 608 750 |
| Rehab streets stormwater - oudtshoorn | Borrowing | Vote 6 - Technical Services | 5 000 000 | 5 000 000 | |
| Airconditioners | Internally generated funds | Vote 6 - Technical Services | 30 000 | | |
| Depot containers | Internally generated funds | Vote 6 - Technical Services | 150 000 | | |
| Roadmarking spray machine | Internally generated funds | Vote 6 - Technical Services | 150 000 | - | - |
| Office furniture equipment | Internally generated funds | Vote 6 - Technical Services | 30 000 | | |
| Rehab streets stormwater - oudtshoorn | Borrowing | Vote 6 - Technical Services | 4 000 000 | | |
| Bomag rollers | Internally generated funds | Vote 6 - Technical Services | 780 000 | | |
| Upgrading waste water treatment works-mig | National Government | Vote 6 - Technical Services | 2 440 116 | | |
| Rehabilitate asbestos/cement water pipes | National Government | Vote 6 - Technical Services | 3 660 407 | 1 416 853 | |
| Bulk water supply | National Government | Vote 6 - Technical Services | 1 045 507 | | |
| Pipe replacement | Borrowing | Vote 6 - Technical Services | 3 000 000 | 4 250 000 | |
| Pipe replacement | Borrowing | Vote 6 - Technical Services | 1 000 000 | 4 250 000 | |
| Digger loader | Internally generated funds | Vote 6 - Technical Services | 1 100 000 | | |
| Emergency transformer | Internally generated funds | Vote 6 - Technical Services | 875 000 | 963 250 | 1 001 787 |
| Electricity networks | Internally generated funds | Vote 6 - Technical Services | 950 000 | 1 016 500 | 1 087 655 |
| Electricity networks | Internally generated funds | Vote 6 - Technical Services | | 684 800 | 732 736 |
| Substation switch gear ward 2 | Internally generated funds | Vote 6 - Technical Services | 750 000 | 823 900 | 881 573 |
| Upgrading 11 kv | Internally generated funds | Vote 6 - Technical Services | 1 050 000 | 2 247 000 | 2 404 290 |
| Fencing bridgton substation | Internally generated funds | Vote 6 - Technical Services | 300 000 | | |
| Dysselsdorp bulk infrastructure | National Government | Vote 6 - Technical Services | 2 608 696 | 4 347 826 | 3 478 261 |
| Blossoms pipeline- draught support | National Government | Vote 6 - Technical Services | 34 782 609 | 34 781 739 | 36 451 304 |
| Dysselsdorp new housing project - external service | Provincial Government | Vote 7 - Human Settlement | 18 830 000 | | |
| Office furniture equipment | Internally generated funds | Vote 8 - Strategic Services | 30 000 | 30 000 | 30 000 |
| Measuring wheel | Internally generated funds | Vote 8 - Strategic Services | 7 000 | 7 700 | 8 470 |
| 3x airconditioners | Internally generated funds | Vote 8 - Strategic Services | 30 000 | 33 000 | 36 300 |
| Air-quality & sound level equipment | Internally generated funds | Vote 8 - Strategic Services | 500 000 | | |

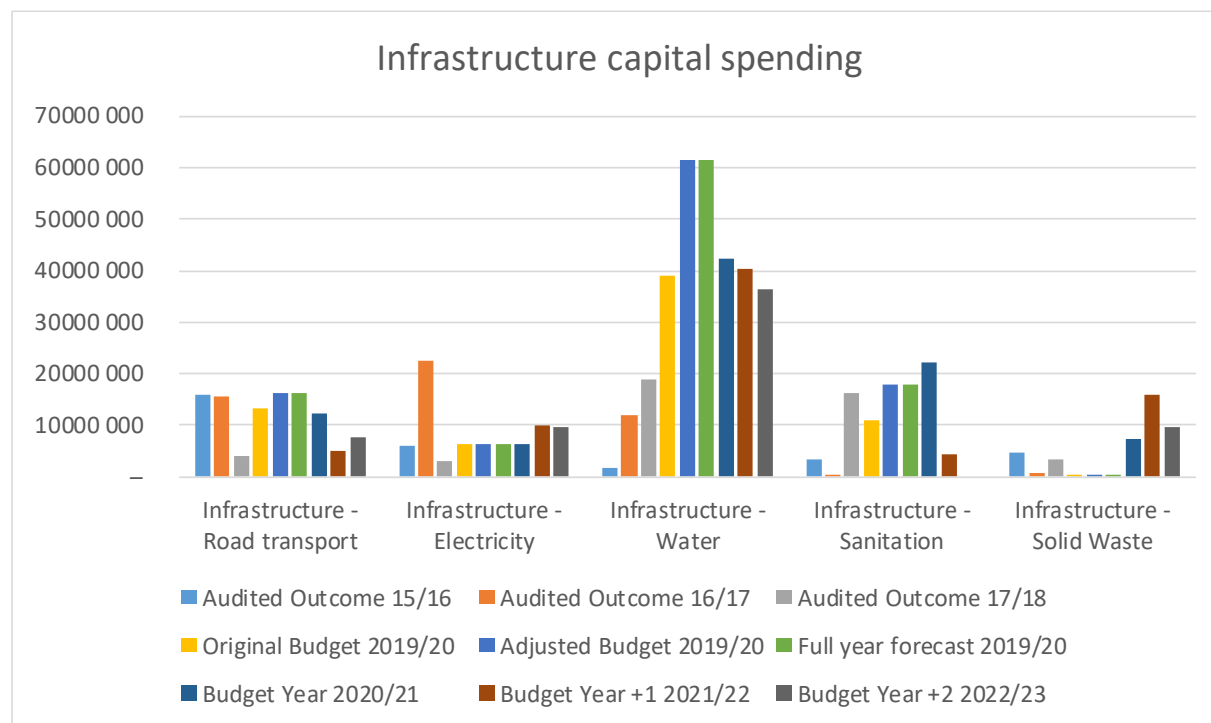
Table 15 2020/2021 Medium-term capital budget per vote

| Vote Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------------------------|----------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | 1 | | | | | | | | | | |
| Capital expenditure - Vote | | | | | | | | | | | |
| Multi-year expenditure to be appropriated | 2 | | | | | | | | | | |
| Vote 1 - Executive & Council | | 14 630 | — | — | — | — | — | — | — | — | — |
| Vote 2 - Municipal Manager | | 123 | — | — | — | — | — | — | — | — | — |
| Vote 3 - Corporate Services | | — | — | — | — | — | — | — | — | — | — |
| Vote 4 - Financial Services | | 909 | — | — | — | — | — | — | — | — | — |
| Vote 5 - Community and Public Safety | | 5 360 | 731 | 5 030 | 1 570 | 880 | 880 | 880 | 12 207 | 20 669 | 12 469 |
| Vote 6 - Technical Services | | 29 975 | 5 740 | 20 917 | 28 887 | 29 598 | 29 598 | 29 598 | 18 452 | 9 917 | 7 609 |
| Vote 7 - Human Settlement | | — | — | — | — | 9 000 | 9 000 | 9 000 | 18 830 | — | — |
| Vote 8 - Strategic Services | | — | — | — | — | — | — | — | — | — | — |
| Capital multi-year expenditure sub-total | 7 | 50 998 | 6 472 | 25 947 | 30 457 | 39 478 | 39 478 | 39 478 | 49 489 | 30 586 | 20 077 |
| Single-year expenditure to be appropriated | 2 | | | | | | | | | | |
| Vote 1 - Executive & Council | | — | 1 982 | 20 | — | — | — | — | 32 | — | — |
| Vote 2 - Municipal Manager | | — | 143 | 2 623 | 2 152 | 2 740 | 2 740 | 2 740 | 2 100 | — | — |
| Vote 3 - Corporate Services | | — | 107 | — | — | — | — | — | 68 | — | — |
| Vote 4 - Financial Services | | — | 2 136 | 2 844 | 1 468 | 1 844 | 1 844 | 1 844 | 2 335 | 1 205 | 1 205 |
| Vote 5 - Community and Public Safety | | — | 1 818 | 1 321 | 12 629 | 16 228 | 16 228 | 16 228 | 4 418 | 420 | 1 240 |
| Vote 6 - Technical Services | | — | 45 856 | 21 945 | 41 450 | 64 472 | 64 472 | 64 472 | 48 774 | 50 082 | 46 255 |
| Vote 7 - Human Settlement | | — | 9 | — | 108 | 108 | 108 | 108 | — | — | — |
| Vote 8 - Strategic Services | | — | — | — | 1 215 | 2 465 | 2 465 | 2 465 | 567 | 71 | 75 |
| Capital single-year expenditure sub-total | | — | 52 051 | 28 754 | 59 023 | 87 856 | 87 856 | 87 856 | 58 294 | 51 778 | 48 775 |
| Total Capital Expenditure - Vote | | 50 998 | 58 523 | 54 701 | 89 480 | 127 334 | 127 334 | 127 334 | 107 783 | 82 364 | 68 852 |
| Capital Expenditure - Functional | | | | | | | | | | | |
| Governance and administration | | 15 663 | 5 347 | 8 525 | 3 620 | 4 584 | 4 584 | 4 584 | 4 535 | 1 205 | 1 205 |
| Executive and council | | 14 754 | 2 247 | 5 688 | 2 092 | 2 680 | 2 680 | 2 680 | 2 132 | — | — |
| Finance and administration | | 909 | 3 099 | 2 836 | 1 508 | 1 884 | 1 884 | 1 884 | 2 403 | 1 205 | 1 205 |
| Internal audit | | — | — | — | 20 | 20 | 20 | 20 | — | — | — |
| Community and public safety | | 833 | 18 292 | 2 905 | 13 837 | 25 936 | 25 936 | 25 936 | 28 098 | 5 159 | 4 240 |
| Community and social services | | — | 395 | 259 | 10 242 | 13 641 | 13 641 | 13 641 | 3 428 | — | — |
| Sport and recreation | | 833 | 473 | 1 638 | 1 976 | 1 676 | 1 676 | 1 676 | 4 990 | 4 739 | 3 000 |
| Public safety | | — | 1 303 | 1 009 | 1 511 | 1 511 | 1 511 | 1 511 | 850 | 420 | 1 240 |
| Housing | | — | 16 120 | — | 108 | 9 108 | 9 108 | 9 108 | 18 830 | — | — |
| Health | | — | — | — | — | — | — | — | — | — | — |
| Economic and environmental services | | 16 062 | 11 124 | 5 067 | 15 014 | 19 470 | 19 470 | 19 470 | 14 231 | 5 288 | 7 901 |
| Planning and development | | — | — | 206 | 1 215 | 2 465 | 2 465 | 2 465 | 567 | 71 | 75 |
| Road transport | | 16 062 | 11 124 | 4 860 | 13 799 | 17 006 | 17 006 | 17 006 | 13 664 | 5 217 | 7 826 |
| Environmental protection | | — | — | — | — | — | — | — | — | — | — |
| Trading services | | 18 440 | 23 599 | 38 205 | 57 008 | 77 344 | 77 344 | 77 344 | 60 919 | 70 712 | 55 506 |
| Energy sources | | 8 884 | 11 477 | 5 647 | 6 483 | 6 483 | 6 483 | 6 483 | 6 534 | 10 083 | 9 586 |
| Water management | | 1 829 | 11 154 | 20 938 | 42 326 | 64 823 | 64 823 | 64 823 | 44 589 | 44 699 | 36 451 |
| Waste water management | | 3 200 | 236 | 8 360 | 7 729 | 5 758 | 5 758 | 5 758 | 2 440 | — | — |
| Waste management | | 4 527 | 731 | 3 260 | 470 | 280 | 280 | 280 | 7 357 | 15 930 | 9 469 |
| Other | | — | — | — | — | — | — | — | — | — | — |
| Total Capital Expenditure - Functional | 3 | 50 998 | 58 361 | 54 701 | 89 480 | 127 334 | 127 334 | 127 334 | 107 783 | 82 364 | 68 852 |
| Funded by: | | | | | | | | | | | |
| National Government | | 33 729 | 32 759 | 33 918 | 47 828 | 69 131 | 69 131 | 69 131 | 55 418 | 58 433 | 60 224 |
| Provincial Government | | 1 705 | 20 978 | 1 874 | 9 652 | 23 639 | 23 639 | 23 639 | 19 468 | — | 800 |
| District Municipality | | — | — | — | — | — | — | — | — | — | — |
| Transfers recognised - capital | 4 | 35 434 | 53 737 | 35 813 | 57 480 | 92 770 | 92 770 | 92 770 | 74 886 | 58 433 | 61 024 |
| Borrowing | 6 | — | — | — | 18 000 | 18 000 | 18 000 | 18 000 | 16 500 | 16 500 | — |
| Internally generated funds | | 15 564 | 4 624 | 18 889 | 14 000 | 16 564 | 16 564 | 16 564 | 16 397 | 7 431 | 7 828 |
| Total Capital Funding | 7 | 50 998 | 58 361 | 54 701 | 89 480 | 127 334 | 127 334 | 127 334 | 107 783 | 82 364 | 68 852 |

An amount of R 90.65 million has been appropriated for the development and refurbishment of infrastructure which represents the bulk of the capital budget for 2020/2021

New assets represent R 70 million of the total capital budget while asset renewal and upgrading makes up the remainder. Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital program relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class. Following a list of projects to be undertaken over the medium-term:

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

Figure 2 Capital Infrastructure Program

1.7 Annual Budget Tables – Municipality

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2019/20 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing/next page.

Table 16 MBRR Table A1 - Budget Summary

| Choose name from list - Table A1 Budget Summary | | | | | | | | | | |
|-----------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousands | | | | | | | | | | |
| Financial Performance | | | | | | | | | | |
| Property rates | 70 958 | 81 990 | 88 173 | 93 375 | 93 201 | 93 201 | 93 201 | 98 793 | 104 732 | 111 026 |
| Service charges | 315 786 | 326 459 | 334 867 | 378 179 | 360 116 | 360 116 | 360 116 | 390 324 | 413 492 | 450 150 |
| Investment revenue | 3 308 | 5 586 | 8 963 | 6 235 | 10 235 | 10 235 | 10 235 | 10 901 | 11 609 | 12 364 |
| Transfers recognised - operational | 74 589 | 113 150 | 130 694 | 102 404 | 120 810 | 120 810 | 120 810 | 116 411 | 127 941 | 127 870 |
| Other own revenue | 64 277 | 58 328 | 75 579 | 45 561 | 45 383 | 45 383 | 45 383 | 47 945 | 49 918 | 52 595 |
| Total Revenue (excluding capital transfers and contributions) | 528 918 | 585 513 | 638 275 | 625 754 | 629 746 | 629 746 | 629 746 | 664 373 | 707 692 | 754 005 |
| Employee costs | 186 515 | 215 633 | 233 488 | 276 836 | 271 737 | 271 737 | 271 737 | 272 729 | 291 820 | 312 247 |
| Remuneration of councillors | 9 484 | 10 022 | 10 887 | 11 650 | 11 883 | 11 883 | 11 883 | 11 303 | 11 823 | 12 367 |
| Depreciation & asset impairment | 35 095 | 34 286 | 40 702 | 41 305 | 41 156 | 41 156 | 41 156 | 43 172 | 45 158 | 47 235 |
| Finance charges | 14 673 | 11 575 | 8 021 | 11 252 | 4 722 | 4 722 | 4 722 | 5 911 | 5 644 | 5 099 |
| Materials and bulk purchases | 153 729 | 160 340 | 172 462 | 208 346 | 206 649 | 206 649 | 206 649 | 215 101 | 224 877 | 234 766 |
| Transfers and grants | 3 022 | 2 947 | 3 788 | 3 240 | 5 127 | 5 127 | 5 127 | 5 693 | 5 741 | 6 861 |
| Other expenditure | 85 824 | 142 015 | 156 725 | 136 022 | 149 472 | 149 472 | 149 472 | 150 550 | 155 401 | 154 699 |
| Total Expenditure | 488 342 | 576 820 | 626 072 | 688 652 | 690 745 | 690 745 | 690 745 | 704 459 | 740 465 | 773 274 |
| Surplus/(Deficit) | 40 576 | 8 693 | 12 203 | (62 898) | (61 000) | (61 000) | (61 000) | (40 085) | (32 773) | (19 269) |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | 36 816 | 53 899 | 40 930 | 64 827 | 103 769 | 103 769 | 103 769 | 83 294 | 67 198 | 70 178 |
| Surplus/(Deficit) after capital transfers & contributions | 77 468 | 62 592 | 53 133 | 1 929 | 42 769 | 42 769 | 42 769 | 43 209 | 34 425 | 50 909 |
| Share of surplus/ (deficit) of associate | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) for the year | 77 468 | 62 592 | 53 133 | 1 929 | 42 769 | 42 769 | 42 769 | 43 209 | 34 425 | 50 909 |
| Capital expenditure & funds sources | | | | | | | | | | |
| Capital expenditure | 50 998 | 58 361 | 54 701 | 89 480 | 127 334 | 127 334 | 127 334 | 107 783 | 82 364 | 68 852 |
| Transfers recognised - capital | 35 434 | 53 737 | 35 813 | 57 480 | 92 770 | 92 770 | 92 770 | 74 886 | 58 433 | 61 024 |
| Borrowing | - | - | - | 18 000 | 18 000 | 18 000 | 18 000 | 16 500 | 16 500 | - |
| Internally generated funds | 15 564 | 4 624 | 18 889 | 14 000 | 16 564 | 16 564 | 16 564 | 16 397 | 7 431 | 7 828 |
| Total sources of capital funds | 50 998 | 58 361 | 54 701 | 89 480 | 127 334 | 127 334 | 127 334 | 107 783 | 82 364 | 68 852 |
| Financial position | | | | | | | | | | |
| Total current assets | 84 395 | 123 267 | 175 542 | 103 543 | 145 635 | 145 635 | 145 635 | 134 847 | 147 613 | 174 216 |
| Total non current assets | 847 426 | 843 651 | 856 689 | 957 484 | 942 867 | 942 867 | 942 867 | 1 007 478 | 1 044 684 | 1 066 301 |
| Total current liabilities | 111 101 | 115 576 | 149 650 | 126 091 | 136 200 | 136 200 | 136 200 | 135 391 | 141 418 | 144 918 |
| Total non current liabilities | 225 978 | 186 459 | 164 566 | 246 360 | 177 518 | 177 518 | 177 518 | 202 942 | 212 460 | 206 272 |
| Community wealth/Equity | 594 741 | 664 883 | 718 016 | 688 576 | 774 784 | 774 784 | 774 784 | 803 994 | 838 419 | 889 327 |
| Cash flows | | | | | | | | | | |
| Net cash from (used) operating | 91 050 | 94 809 | 119 664 | 61 423 | 89 394 | 89 394 | 89 394 | 85 966 | 77 621 | 96 086 |
| Net cash from (used) investing | (34 470) | (56 540) | (51 616) | (80 532) | (127 334) | (127 334) | (127 334) | (91 616) | (70 009) | (58 524) |
| Net cash from (used) financing | (48 365) | 4 844 | (15 906) | 1 592 | 3 343 | 3 343 | 3 343 | (374) | (374) | (16 874) |
| Cash/cash equivalents at the year end | 27 894 | 71 007 | 123 149 | 55 244 | 88 552 | 88 552 | 88 552 | 82 528 | 89 766 | 110 453 |
| Cash backing/surplus reconciliation | | | | | | | | | | |
| Cash and investments available | 27 894 | 71 007 | 123 149 | 55 244 | 88 552 | 88 552 | 88 552 | 82 528 | 89 766 | 110 453 |
| Application of cash and investments | 2 168 | 15 014 | 53 286 | 21 524 | 28 118 | 28 118 | 28 118 | 72 380 | 72 707 | 70 104 |
| Balance - surplus (shortfall) | 25 727 | 55 993 | 69 862 | 33 720 | 60 434 | 60 434 | 60 434 | 10 149 | 17 059 | 40 349 |
| Asset management | | | | | | | | | | |
| Asset register summary (WDV) | 847 426 | 843 651 | 856 689 | 957 484 | 942 867 | 942 867 | 942 867 | 1 007 478 | 1 044 684 | 1 066 301 |
| Depreciation | 35 095 | 34 286 | 40 702 | 41 305 | 41 156 | 41 156 | 41 156 | 43 172 | 45 158 | 47 235 |
| Renewal and Upgrading of Existing Assets | 32 407 | 46 718 | 38 225 | 49 012 | 43 505 | 43 505 | 43 505 | 37 782 | 35 586 | 20 077 |
| Repairs and Maintenance | 16 270 | 15 922 | 16 978 | 23 025 | 21 665 | 21 665 | 21 665 | 22 546 | 22 458 | 22 575 |
| Free services | | | | | | | | | | |
| Cost of Free Basic Services provided | 24 137 | 28 341 | 36 090 | 35 738 | 42 568 | 42 568 | 44 069 | 44 069 | 50 760 | 55 458 |
| Revenue cost of free services provided | 5 089 | 3 819 | 4 572 | 5 089 | 5 089 | 5 089 | 5 868 | 5 868 | 6 191 | 6 535 |
| Households below minimum service level | | | | | | | | | | |
| Water: | - | - | - | - | - | - | - | - | - | - |
| Sanitation/sewerage: | - | - | - | - | - | - | - | - | - | - |
| Energy: | - | - | - | - | - | - | - | - | - | - |
| Refuse: | 14 | - | - | 16 | 16 | 16 | 16 | 16 | 16 | 16 |

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of Oudtshoorn Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF
 - b. Capital expenditure is funded only by grant funding
 - i. Transfers recognized is reflected on the Financial Performance Budget;
 - ii. No borrowing is taken up for the MTREF
 - iii. No internally generated funds are available for capital funding.
4. The Cash backing/surplus reconciliation shows that the municipality is not in a position to currently cash back any of its provisions or other obligations.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

Table 17 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

| Choose name from list - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification) | | | | | | | | | | |
|------------------------------------------------------------------------------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| Functional Classification Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Revenue - Functional | | | | | | | | | | |
| <i>Governance and administration</i> | | 225 079 | 199 558 | 189 095 | 167 820 | 173 093 | 173 093 | 181 950 | 192 178 | 203 559 |
| Executive and council | | 154 093 | 112 177 | 97 190 | 70 839 | 75 235 | 75 235 | 79 822 | 84 609 | 89 475 |
| Finance and administration | | 70 985 | 87 380 | 91 904 | 96 981 | 97 858 | 97 858 | 102 129 | 107 569 | 114 084 |
| Internal audit | | - | - | - | - | - | - | - | - | - |
| <i>Community and public safety</i> | | 19 333 | 60 431 | 71 070 | 43 133 | 70 629 | 70 629 | 64 324 | 53 629 | 49 650 |
| Community and social services | | 1 732 | 7 944 | 5 716 | 12 871 | 14 933 | 14 933 | 7 128 | 7 670 | 7 933 |
| Sport and recreation | | - | 1 291 | 3 215 | 1 986 | 1 744 | 1 744 | 1 750 | 1 870 | 1 982 |
| Public safety | | 17 601 | - | 15 205 | 12 106 | 11 590 | 11 590 | 11 405 | 12 090 | 13 735 |
| Housing | | - | 51 196 | 46 934 | 16 170 | 42 362 | 42 362 | 44 040 | 32 000 | 26 000 |
| Health | | - | - | - | - | - | - | - | - | - |
| <i>Economic and environmental services</i> | | - | 31 973 | 24 711 | 24 590 | 26 135 | 26 135 | 23 995 | 23 310 | 24 450 |
| Planning and development | | - | - | - | - | 1 545 | 1 545 | - | - | - |
| Road transport | | - | 31 973 | 24 711 | 24 590 | 24 590 | 24 590 | 23 995 | 23 310 | 24 450 |
| Environmental protection | | - | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | | 321 398 | 347 450 | 394 330 | 455 038 | 463 657 | 463 657 | 477 399 | 505 773 | 546 523 |
| Energy sources | | 210 864 | 221 912 | 237 328 | 268 495 | 259 356 | 259 356 | 276 254 | 290 070 | 313 257 |
| Water management | | 62 537 | 76 323 | 88 903 | 113 726 | 132 195 | 132 195 | 122 330 | 129 602 | 139 318 |
| Waste water management | | 31 825 | 31 825 | 41 752 | 44 389 | 44 042 | 44 042 | 47 847 | 51 900 | 56 248 |
| Waste management | | 16 172 | 17 390 | 26 347 | 28 428 | 28 065 | 28 065 | 30 969 | 34 201 | 37 700 |
| <i>Other</i> | 4 | - | - | - | - | - | - | - | - | - |
| Total Revenue - Functional | 2 | 565 810 | 639 412 | 679 205 | 690 581 | 733 514 | 733 514 | 747 667 | 774 890 | 824 183 |
| Expenditure - Functional | | | | | | | | | | |
| <i>Governance and administration</i> | | 132 598 | 135 536 | 150 711 | 166 673 | 164 970 | 164 970 | 173 479 | 180 675 | 189 349 |
| Executive and council | | 71 934 | 74 981 | 81 215 | 84 998 | 80 414 | 80 414 | 82 806 | 87 231 | 91 407 |
| Finance and administration | | 60 663 | 60 555 | 69 495 | 79 376 | 82 352 | 82 352 | 88 158 | 90 824 | 95 184 |
| Internal audit | | - | - | - | 2 299 | 2 204 | 2 204 | 2 514 | 2 619 | 2 757 |
| <i>Community and public safety</i> | | 84 470 | 111 828 | 143 858 | 137 089 | 140 527 | 140 527 | 138 857 | 150 065 | 151 265 |
| Community and social services | | 20 878 | 18 675 | 18 286 | 23 001 | 22 595 | 22 595 | 22 760 | 24 128 | 25 549 |
| Sport and recreation | | 23 928 | 19 817 | 33 722 | 42 672 | 39 362 | 39 362 | 41 399 | 44 058 | 46 423 |
| Public safety | | 32 190 | 31 392 | 38 031 | 44 682 | 35 513 | 35 513 | 37 923 | 38 278 | 40 817 |
| Housing | | 7 474 | 41 944 | 53 819 | 26 733 | 43 057 | 43 057 | 36 774 | 43 601 | 38 475 |
| Health | | - | - | - | - | - | - | - | - | - |
| <i>Economic and environmental services</i> | | 38 164 | 57 819 | 44 648 | 63 779 | 63 772 | 63 772 | 64 657 | 68 343 | 72 834 |
| Planning and development | | 11 157 | 16 676 | 5 639 | 25 062 | 23 803 | 23 803 | 23 577 | 24 951 | 27 050 |
| Road transport | | 27 006 | 41 143 | 39 010 | 38 717 | 39 969 | 39 969 | 41 079 | 43 392 | 45 784 |
| Environmental protection | | - | - | - | - | - | - | - | - | - |
| <i>Trading services</i> | | 233 110 | 271 636 | 286 855 | 321 110 | 321 477 | 321 477 | 327 467 | 341 382 | 359 826 |
| Energy sources | | 163 179 | 174 110 | 182 830 | 218 049 | 214 946 | 214 946 | 220 496 | 232 373 | 244 240 |
| Water management | | 29 257 | 47 960 | 47 613 | 48 898 | 48 731 | 48 731 | 47 728 | 50 100 | 53 052 |
| Waste water management | | 14 231 | 21 272 | 27 704 | 25 182 | 29 097 | 29 097 | 29 285 | 31 059 | 32 950 |
| Waste management | | 26 443 | 28 294 | 28 709 | 28 981 | 28 703 | 28 703 | 29 958 | 27 850 | 29 585 |
| <i>Other</i> | 4 | - | - | - | - | - | - | - | - | - |
| Total Expenditure - Functional | 3 | 488 342 | 576 820 | 626 072 | 688 652 | 690 745 | 690 745 | 704 459 | 740 465 | 773 274 |
| Surplus/(Deficit) for the year | | 77 468 | 62 592 | 53 133 | 1 929 | 42 769 | 42 769 | 43 209 | 34 425 | 50 909 |

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water but not for the waste management function. Administrative functions have not been charged to the respective service delivery departments and therefore an unintended cross subsidization of rates and general services takes place. Surpluses generated by the service delivery departments are absorbed in the general operations through the allocation of administrative and other overhead cost associated with governance.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under governance and administration.

Table 18 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

| Choose name from list - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote) | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| Vote Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Revenue by Vote | | 1 | | | | | | | | |
| Vote 1 - Executive & Council | | 114 956 | 94 309 | 79 001 | 51 672 | 56 068 | 56 068 | 59 892 | 63 887 | 67 928 |
| Vote 2 - Municipal Manager | | 16 147 | 17 869 | 18 190 | 19 168 | 19 168 | 19 168 | 19 930 | 20 723 | 21 547 |
| Vote 3 - Corporate Services | | (27) | 1 079 | – | 742 | 1 100 | 1 100 | 819 | 56 | 56 |
| Vote 4 - Financial Services | | 70 985 | 86 301 | 91 904 | 96 240 | 96 758 | 96 758 | 101 310 | 107 513 | 114 028 |
| Vote 5 - Community and Public Safety | | 41 228 | 26 624 | 50 483 | 55 391 | 56 331 | 56 331 | 51 252 | 55 830 | 61 350 |
| Vote 6 - Technical Services | | 322 521 | 362 034 | 392 693 | 451 199 | 460 183 | 460 183 | 470 425 | 494 882 | 533 274 |
| Vote 7 - Human Settlement | | – | 51 196 | 46 934 | 16 170 | 42 362 | 42 362 | 44 040 | 32 000 | 26 000 |
| Vote 8 - Strategic Services | | – | – | – | – | 1 545 | 1 545 | – | – | – |
| Total Revenue by Vote | 2 | 565 810 | 639 412 | 679 205 | 690 581 | 733 514 | 733 514 | 747 667 | 774 890 | 824 183 |
| Expenditure by Vote to be appropriated | | 1 | | | | | | | | |
| Vote 1 - Executive & Council | | 53 308 | 58 861 | 63 661 | 62 933 | 59 470 | 59 470 | 62 099 | 64 942 | 67 692 |
| Vote 2 - Municipal Manager | | 13 342 | 16 120 | 17 555 | 25 303 | 24 175 | 24 175 | 24 358 | 26 120 | 27 767 |
| Vote 3 - Corporate Services | | 42 989 | 29 218 | 27 946 | 26 695 | 28 290 | 28 290 | 28 503 | 29 303 | 31 236 |
| Vote 4 - Financial Services | | 32 733 | 31 337 | 41 549 | 46 986 | 48 679 | 48 679 | 54 452 | 56 001 | 58 120 |
| Vote 5 - Community and Public Safety | | 88 478 | 94 784 | 118 748 | 139 337 | 126 173 | 126 173 | 132 041 | 134 314 | 142 374 |
| Vote 6 - Technical Services | | 238 926 | 287 880 | 297 156 | 335 603 | 337 097 | 337 097 | 342 655 | 361 232 | 380 560 |
| Vote 7 - Human Settlement | | 7 474 | 41 944 | 53 819 | 26 733 | 43 057 | 43 057 | 36 774 | 43 601 | 38 475 |
| Vote 8 - Strategic Services | | 11 091 | 16 676 | 5 639 | 25 062 | 23 803 | 23 803 | 23 577 | 24 951 | 27 050 |
| Total Expenditure by Vote | 2 | 488 342 | 576 820 | 626 072 | 688 652 | 690 745 | 690 745 | 704 459 | 740 465 | 773 274 |
| Surplus/(Deficit) for the year | 2 | 77 468 | 62 592 | 53 133 | 1 929 | 42 769 | 42 769 | 43 209 | 34 425 | 50 909 |

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of Oudtshoorn Municipality. This means it is possible to present the operating surplus or deficit of a vote.

Table 19 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

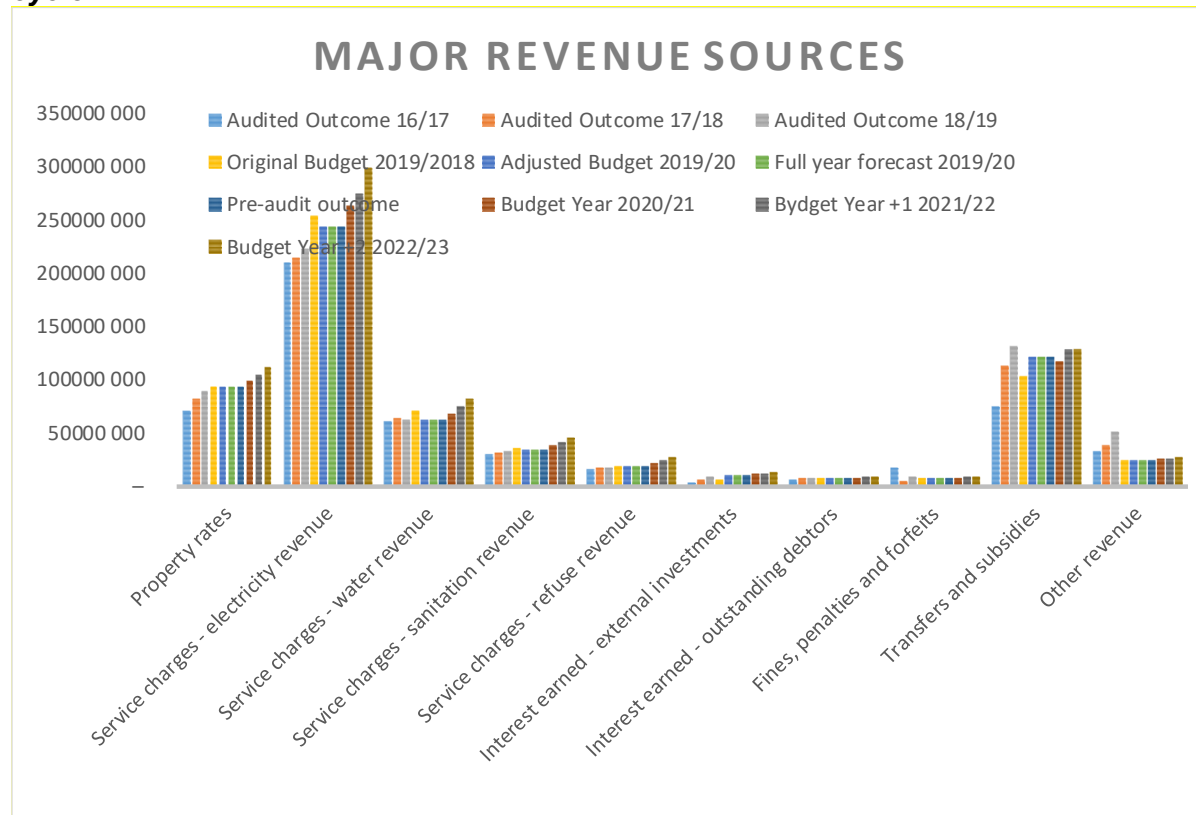
| Choose name from list - Table A4 Budgeted Financial Performance (revenue and expenditure) | | | | | | | | | | |
|-----------------------------------------------------------------------------------------------|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Revenue By Source | | | | | | | | | | |
| Property rates | 2 | 70 958 | 81 990 | 88 173 | 93 375 | 93 201 | 93 201 | 98 793 | 104 732 | 111 026 |
| Service charges - electricity revenue | 2 | 210 156 | 214 893 | 222 752 | 253 609 | 244 256 | 244 256 | 263 538 | 274 657 | 298 177 |
| Service charges - water revenue | 2 | 60 177 | 63 731 | 61 743 | 70 738 | 62 739 | 62 739 | 68 361 | 74 544 | 81 235 |
| Service charges - sanitation revenue | 2 | 29 994 | 31 126 | 32 868 | 34 809 | 34 462 | 34 462 | 37 530 | 40 893 | 44 535 |
| Service charges - refuse revenue | 2 | 15 458 | 16 710 | 17 504 | 19 023 | 18 659 | 18 659 | 20 895 | 23 398 | 26 203 |
| Rental of facilities and equipment | | 3 342 | 3 453 | 3 418 | 3 065 | 2 775 | 2 775 | 2 872 | 3 057 | 3 238 |
| Interest earned - external investments | | 3 308 | 5 586 | 8 963 | 6 235 | 10 235 | 10 235 | 10 901 | 11 609 | 12 364 |
| Interest earned - outstanding debtors | | 6 391 | 6 949 | 6 805 | 6 840 | 6 840 | 6 840 | 7 771 | 8 143 | 8 769 |
| Dividends received | | - | - | - | - | - | - | - | - | - |
| Fines, penalties and forfeits | | 16 700 | 4 874 | 8 953 | 7 345 | 7 040 | 7 040 | 7 443 | 7 890 | 8 365 |
| Licences and permits | | 44 | 41 | - | 350 | 350 | 350 | 371 | 393 | 417 |
| Agency services | | 4 844 | 4 570 | 5 666 | 3 979 | 3 979 | 3 979 | 4 218 | 4 471 | 4 739 |
| Transfers and subsidies | | 74 589 | 113 150 | 130 694 | 102 404 | 120 810 | 120 810 | 116 411 | 127 941 | 127 870 |
| Other revenue | 2 | 32 953 | 38 440 | 50 736 | 23 982 | 24 399 | 24 399 | 25 269 | 25 963 | 27 066 |
| Gains | | 4 | - | - | - | - | - | - | - | - |
| Total Revenue (excluding capital transfers and contributions) | | 528 918 | 585 513 | 638 275 | 625 754 | 629 746 | 629 746 | 664 373 | 707 692 | 754 005 |
| Expenditure By Type | | | | | | | | | | |
| Employee related costs | 2 | 186 515 | 215 633 | 233 488 | 276 836 | 271 737 | 271 737 | 272 729 | 291 820 | 312 247 |
| Remuneration of councillors | | 9 484 | 10 022 | 10 887 | 11 650 | 11 883 | 11 883 | 11 303 | 11 823 | 12 367 |
| Debt impairment | 3 | 16 068 | 36 123 | 34 636 | 18 932 | 20 522 | 20 522 | 22 351 | 22 072 | 23 931 |
| Depreciation & asset impairment | 2 | 35 095 | 34 286 | 40 702 | 41 305 | 41 156 | 41 156 | 43 172 | 45 158 | 47 235 |
| Finance charges | | 14 673 | 11 575 | 8 021 | 11 252 | 4 722 | 4 722 | 5 911 | 5 644 | 5 099 |
| Bulk purchases | 2 | 146 709 | 147 637 | 153 186 | 181 100 | 180 100 | 180 100 | 188 000 | 197 776 | 207 665 |
| Other materials | 8 | 7 020 | 12 703 | 19 276 | 27 246 | 26 549 | 26 549 | 27 101 | 27 101 | 27 101 |
| Contracted services | | 26 384 | 21 459 | 23 211 | 38 969 | 37 440 | 37 440 | 41 630 | 37 074 | 36 588 |
| Transfers and subsidies | | 3 022 | 2 947 | 3 788 | 3 240 | 5 127 | 5 127 | 5 693 | 5 741 | 6 861 |
| Other expenditure | 4, 5 | 42 662 | 81 984 | 98 878 | 78 121 | 91 509 | 91 509 | 86 569 | 96 255 | 94 180 |
| Losses | | 709 | 2 450 | - | - | - | - | - | - | - |
| Total Expenditure | | 488 342 | 576 820 | 626 072 | 688 652 | 690 745 | 690 745 | 704 459 | 740 465 | 773 274 |
| Surplus/(Deficit) | | 40 576 | 8 693 | 12 203 | (62 898) | (61 000) | (61 000) | (40 085) | (32 773) | (19 269) |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | 36 816 | 53 899 | 40 930 | 64 827 | 103 769 | 103 769 | 83 294 | 67 198 | 70 178 |
| Surplus/(Deficit) after capital transfers & contributions | | 77 468 | 62 592 | 53 133 | 1 929 | 42 769 | 42 769 | 43 209 | 34 425 | 50 909 |
| Taxation | | | | | | | | | | |
| Surplus/(Deficit) after taxation | | 77 468 | 62 592 | 53 133 | 1 929 | 42 769 | 42 769 | 43 209 | 34 425 | 50 909 |
| Attributable to minorities | | | | | | | | | | |
| Surplus/(Deficit) attributable to municipality | | 77 468 | 62 592 | 53 133 | 1 929 | 42 769 | 42 769 | 43 209 | 34 425 | 50 909 |
| Share of surplus/ (deficit) of associate | 7 | | | | | | | | | |
| Surplus/(Deficit) for the year | | 77 468 | 62 592 | 53 133 | 1 929 | 42 769 | 42 769 | 43 209 | 34 425 | 50 909 |

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue excluding capital grants is R 625.75 million in 2020/2021 and increases to R 679.9 million by 2020/21. This represents a year-on-year increase of 8.67% for the 2020/21 financial year and an increase of 6.67% for the 2021/22 financial year.
2. Revenue to be generated from property rates is R93.37 million in the 2020/2021 financial year and increases to R 98.97 million by 2020/21 which represents 14.92% of the operating revenue base of Oudtshoorn Municipality for 2020/2021 and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of Oudtshoorn Municipality totaling R 378.2 million for the 2020/2021 financial year and increasing to R 455.3 million by 2021/22. For the 2020/2021 financial year services charges represent 60.4% of the total revenue base.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. Operational grants in the amount of R 105.8 million represent 16.36% of revenue for the 2020/2021 financial year.
5. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.4

Figure 3 Major revenue Sources

The following graph illustrates the major revenue items per type over the 7-year budget cycle.



The following graph illustrates the major expenditure items per type over the 7-year budget cycle.

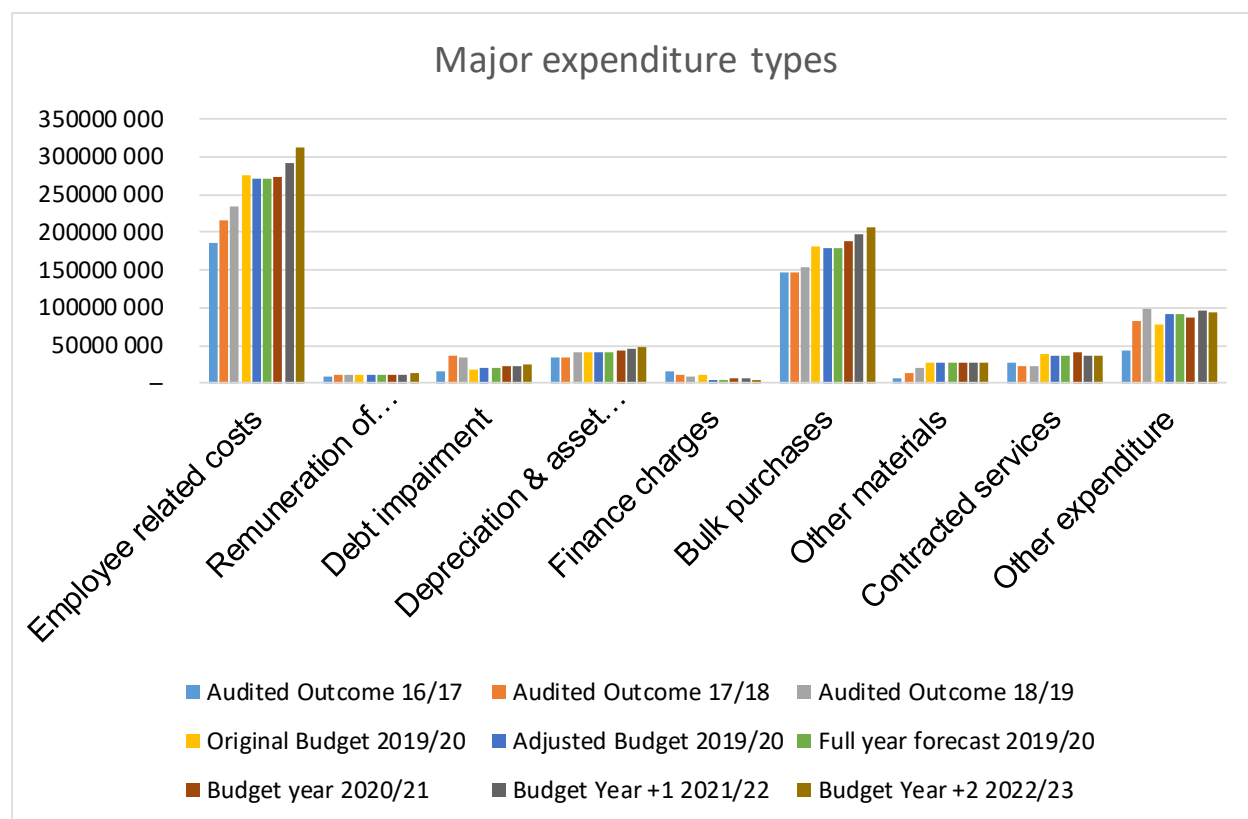


Figure 4 Expenditure by major type

Bulk purchases are significantly increasing over the 7year horizon from R146 million in the 2016/17 financial year to R188 million in 2020/2021. These increases can mainly be attributed to the substantial increase in the cost of bulk electricity from Eskom with very little growth ascribable to the growth of the revenue base.

Table 20 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

| Vote Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Capital expenditure - Vote | | | | | | | | | | | |
| Multi-year expenditure to be appropriated | 2 | | | | | | | | | | |
| Vote 1 - Executive & Council | | 14 630 | - | - | - | - | - | - | - | - | - |
| Vote 2 - Municipal Manager | | 123 | - | - | - | - | - | - | - | - | - |
| Vote 3 - Corporate Services | | - | - | - | - | - | - | - | - | - | - |
| Vote 4 - Financial Services | | 909 | - | - | - | - | - | - | - | - | - |
| Vote 5 - Community and Public Safety | | 5 360 | 731 | 5 030 | 1 570 | 880 | 880 | 880 | 12 207 | 20 669 | 12 469 |
| Vote 6 - Technical Services | | 29 975 | 5 740 | 20 917 | 28 887 | 29 598 | 29 598 | 29 598 | 18 452 | 9 917 | 7 609 |
| Vote 7 - Human Settlement | | - | - | - | - | 9 000 | 9 000 | 9 000 | 18 830 | - | - |
| Vote 8 - Strategic Services | | - | - | - | - | - | - | - | - | - | - |
| Capital multi-year expenditure sub-total | 7 | 50 998 | 6 472 | 25 947 | 30 457 | 39 478 | 39 478 | 39 478 | 49 489 | 30 586 | 20 077 |
| Single-year expenditure to be appropriated | 2 | | | | | | | | | | |
| Vote 1 - Executive & Council | | - | 1 982 | 20 | - | - | - | - | 32 | - | - |
| Vote 2 - Municipal Manager | | - | 143 | 2 623 | 2 152 | 2 740 | 2 740 | 2 740 | 2 100 | - | - |
| Vote 3 - Corporate Services | | - | 107 | - | - | - | - | - | 68 | - | - |
| Vote 4 - Financial Services | | - | 2 136 | 2 844 | 1 468 | 1 844 | 1 844 | 1 844 | 2 335 | 1 205 | 1 205 |
| Vote 5 - Community and Public Safety | | - | 1 818 | 1 321 | 12 629 | 16 228 | 16 228 | 16 228 | 4 418 | 420 | 1 240 |
| Vote 6 - Technical Services | | - | 45 856 | 21 945 | 41 450 | 64 472 | 64 472 | 64 472 | 48 774 | 50 082 | 46 255 |
| Vote 7 - Human Settlement | | - | 9 | - | 108 | 108 | 108 | 108 | - | - | - |
| Vote 8 - Strategic Services | | - | - | - | 1 215 | 2 465 | 2 465 | 2 465 | 567 | 71 | 75 |
| Capital single-year expenditure sub-total | | - | 52 051 | 28 754 | 59 023 | 87 856 | 87 856 | 87 856 | 58 294 | 51 778 | 48 775 |
| Total Capital Expenditure - Vote | | 50 998 | 58 523 | 54 701 | 89 480 | 127 334 | 127 334 | 127 334 | 107 783 | 82 364 | 68 852 |
| Capital Expenditure - Functional | | | | | | | | | | | |
| Governance and administration | | 15 663 | 5 347 | 8 525 | 3 620 | 4 584 | 4 584 | 4 584 | 4 535 | 1 205 | 1 205 |
| Executive and council | | 14 754 | 2 247 | 5 688 | 2 092 | 2 680 | 2 680 | 2 680 | 2 132 | - | - |
| Finance and administration | | 909 | 3 099 | 2 836 | 1 508 | 1 884 | 1 884 | 1 884 | 2 403 | 1 205 | 1 205 |
| Internal audit | | - | - | - | 20 | 20 | 20 | 20 | - | - | - |
| Community and public safety | | 833 | 18 292 | 2 905 | 13 837 | 25 936 | 25 936 | 25 936 | 28 098 | 5 159 | 4 240 |
| Community and social services | | - | 395 | 259 | 10 242 | 13 641 | 13 641 | 13 641 | 3 428 | - | - |
| Sport and recreation | | 833 | 473 | 1 638 | 1 976 | 1 676 | 1 676 | 1 676 | 4 990 | 4 739 | 3 000 |
| Public safety | | - | 1 303 | 1 009 | 1 511 | 1 511 | 1 511 | 1 511 | 850 | 420 | 1 240 |
| Housing | | - | 16 120 | - | 108 | 9 108 | 9 108 | 9 108 | 18 830 | - | - |
| Health | | - | - | - | - | - | - | - | - | - | - |
| Economic and environmental services | | 16 062 | 11 124 | 5 067 | 15 014 | 19 470 | 19 470 | 19 470 | 14 231 | 5 288 | 7 901 |
| Planning and development | | - | - | 206 | 1 215 | 2 465 | 2 465 | 2 465 | 567 | 71 | 75 |
| Road transport | | 16 062 | 11 124 | 4 860 | 13 799 | 17 006 | 17 006 | 17 006 | 13 664 | 5 217 | 7 826 |
| Environmental protection | | - | - | - | - | - | - | - | - | - | - |
| Trading services | | 18 440 | 23 599 | 38 205 | 57 008 | 77 344 | 77 344 | 77 344 | 60 919 | 70 712 | 55 506 |
| Energy sources | | 8 884 | 11 477 | 5 647 | 6 483 | 6 483 | 6 483 | 6 483 | 6 534 | 10 083 | 9 586 |
| Water management | | 1 829 | 11 154 | 20 938 | 42 326 | 64 823 | 64 823 | 64 823 | 44 589 | 44 699 | 36 451 |
| Waste water management | | 3 200 | 236 | 8 360 | 7 729 | 5 758 | 5 758 | 5 758 | 2 440 | - | - |
| Waste management | | 4 527 | 731 | 3 260 | 470 | 280 | 280 | 280 | 7 357 | 15 930 | 9 469 |
| Other | | - | - | - | - | - | - | - | - | - | - |
| Total Capital Expenditure - Functional | 3 | 50 998 | 58 361 | 54 701 | 89 480 | 127 334 | 127 334 | 127 334 | 107 783 | 82 364 | 68 852 |
| Funded by: | | | | | | | | | | | |
| National Government | | 33 729 | 32 759 | 33 918 | 47 828 | 69 131 | 69 131 | 69 131 | 55 418 | 58 433 | 60 224 |
| Provincial Government | | 1 705 | 20 978 | 1 874 | 9 652 | 23 639 | 23 639 | 23 639 | 19 468 | - | 800 |
| District Municipality | | - | - | - | - | - | - | - | - | - | - |
| Transfers recognised - capital | 4 | 35 434 | 53 737 | 35 813 | 57 480 | 92 770 | 92 770 | 92 770 | 74 886 | 58 433 | 61 024 |
| Borrowing | 6 | - | - | - | 18 000 | 18 000 | 18 000 | 18 000 | 16 500 | 16 500 | - |
| Internally generated funds | | 15 564 | 4 624 | 18 889 | 14 000 | 16 564 | 16 564 | 16 564 | 16 397 | 7 431 | 7 828 |
| Total Capital Funding | 7 | 50 998 | 58 361 | 54 701 | 89 480 | 127 334 | 127 334 | 127 334 | 107 783 | 82 364 | 68 852 |

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital program in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations. Multi-year projects are those projects that will not be commissioned at the end of the financial year but will stretch over more than one financial year.
3. Single-year capital expenditure has been appropriated at R 58.2 million for the 2020/2021 financial year and decreases slightly over the MTREF to R51.7 million and again to R47.7 million for the outer year of the MTREF.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of Oudtshoorn Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital program is funded mainly from capital grants and transfers as cash flow is limited to utilize own resources for the funding of capital. For 2020/2021 financial year, capital transfers totals R74.8 million and decreases to R 58.4 million by 2021/22 and increases thereafter to R61 million by 2022/2023. It is envisaged to take up borrowing over the MTREF for a total amount of R33 Million, divided into R16.5 Million for 2020/2021 and R16.5 Million for 2021/22 respectively.

Table 21 MBRR Table A6 - Budgeted Financial Position

| Choose name from list - Table A6 Budgeted Financial Position | | | | | | | | | | | |
|--------------------------------------------------------------|-----|-----------------|-----------------|------------------|----------------------|------------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| R thousand | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| ASSETS | | | | | | | | | | | |
| Current assets | | | | | | | | | | | |
| Cash | | 4 376 | 7 497 | 25 118 | 15 244 | 48 552 | 48 552 | 48 552 | 2 528 | 9 766 | 30 453 |
| Call investment deposits | 1 | 23 518 | 63 510 | 98 030 | 40 000 | 40 000 | 40 000 | 40 000 | 80 000 | 80 000 | 80 000 |
| Consumer debtors | 1 | 48 784 | 40 678 | 41 753 | 44 382 | 46 443 | 46 443 | 46 443 | 41 569 | 46 981 | 52 777 |
| Other debtors | | 6 122 | 9 903 | 8 186 | 2 029 | 8 185 | 8 185 | 8 185 | 8 185 | 8 185 | 8 185 |
| Current portion of long-term receivables | | 8 | - | - | 3 | - | - | - | - | - | - |
| Inventory | 2 | 1 587 | 1 678 | 2 455 | 1 886 | 2 455 | 2 455 | 2 455 | 2 565 | 2 681 | 2 801 |
| Total current assets | | 84 395 | 123 267 | 175 542 | 103 543 | 145 635 | 145 635 | 145 635 | 134 847 | 147 613 | 174 216 |
| Non current assets | | | | | | | | | | | |
| Long-term receivables | | - | - | - | - | - | - | - | - | - | - |
| Investments | | - | - | - | - | - | - | - | - | - | - |
| Investment property | | 68 037 | 14 990 | 14 871 | 67 651 | 17 256 | 17 256 | 17 256 | 17 256 | 17 256 | 17 256 |
| Investment in Associate | | - | - | - | - | - | - | - | - | - | - |
| Property, plant and equipment | 3 | 765 193 | 813 769 | 826 540 | 873 712 | 910 043 | 910 043 | 910 043 | 974 054 | 1 010 960 | 1 032 277 |
| Biological | | - | - | - | - | - | - | - | - | - | - |
| Intangible | | 421 | 1 118 | 1 504 | 2 347 | 1 794 | 1 794 | 1 794 | 2 394 | 2 694 | 2 994 |
| Other non-current assets | | 13 774 | 13 774 | 13 774 | 13 774 | 13 774 | 13 774 | 13 774 | 13 774 | 13 774 | 13 774 |
| Total non current assets | | 847 426 | 843 651 | 856 689 | 957 484 | 942 868 | 942 868 | 942 868 | 1 007 479 | 1 044 685 | 1 066 301 |
| TOTAL ASSETS | | 931 821 | 966 918 | 1 032 232 | 1 061 027 | 1 088 503 | 1 088 503 | 1 088 503 | 1 142 326 | 1 192 298 | 1 240 518 |
| LIABILITIES | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | |
| Bank overdraft | 1 | - | - | - | - | - | - | - | - | - | - |
| Borrowing | 4 | 31 781 | 23 112 | 15 468 | 17 000 | 15 468 | 15 468 | 15 468 | 17 000 | 18 000 | 18 000 |
| Consumer deposits | | 8 483 | 9 204 | 9 964 | 10 458 | 10 561 | 10 561 | 10 561 | 11 195 | 11 867 | 12 579 |
| Trade and other payables | 4 | 51 208 | 61 205 | 100 010 | 73 618 | 84 510 | 84 510 | 84 510 | 79 931 | 82 583 | 83 561 |
| Provisions | | 19 629 | 22 055 | 24 208 | 25 015 | 25 660 | 25 660 | 25 660 | 27 264 | 28 968 | 30 779 |
| Total current liabilities | | 111 101 | 115 576 | 149 650 | 126 091 | 136 200 | 136 200 | 136 200 | 135 391 | 141 418 | 144 918 |
| Non current liabilities | | | | | | | | | | | |
| Borrowing | | 60 391 | 44 863 | 32 230 | 49 187 | 34 762 | 34 762 | 34 762 | 49 907 | 48 407 | 30 407 |
| Provisions | | 165 587 | 141 596 | 132 336 | 197 173 | 142 756 | 142 756 | 142 756 | 153 035 | 164 053 | 175 865 |
| Total non current liabilities | | 225 978 | 186 459 | 164 566 | 246 360 | 177 518 | 177 518 | 177 518 | 202 942 | 212 460 | 206 272 |
| TOTAL LIABILITIES | | 337 079 | 302 035 | 314 216 | 372 451 | 313 718 | 313 718 | 313 718 | 338 332 | 353 879 | 351 190 |
| NET ASSETS | 5 | 594 741 | 664 883 | 718 016 | 688 576 | 774 784 | 774 784 | 774 784 | 803 994 | 838 419 | 889 327 |
| COMMUNITY WEALTH/EQUITY | | | | | | | | | | | |
| Accumulated Surplus/(Deficit) | | 594 741 | 664 883 | 718 016 | 674 576 | 760 784 | 760 784 | 760 784 | 803 994 | 838 419 | 889 327 |
| Reserves | 4 | - | - | - | 14 000 | 14 000 | 14 000 | 14 000 | - | - | - |
| TOTAL COMMUNITY WEALTH/EQUITY | 5 | 594 741 | 664 883 | 718 016 | 688 576 | 774 784 | 774 784 | 774 784 | 803 994 | 838 419 | 889 327 |

Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group illustrates items in

order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes (Table SA3) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 22 MBRR Table A7 - Budgeted Cash Flow Statement

| Choose name from list - Table A7 Budgeted Cash Flows | | | | | | | | | | | |
|------------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | | | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Property rates | | 70 958 | 81 990 | 88 173 | 90 573 | 88 541 | 88 541 | 88 541 | 93 853 | 99 495 | 105 475 |
| Service charges | | 315 786 | 326 459 | 334 867 | 366 834 | 342 111 | 342 111 | 342 111 | 370 808 | 392 818 | 427 642 |
| Other revenue | | 16 094 | 17 806 | 43 474 | 32 478 | 32 911 | 32 911 | 32 911 | 34 070 | 35 305 | 36 966 |
| Transfers and Subsidies - Operational | 1 | 74 589 | 113 150 | 130 694 | 102 404 | 120 810 | 120 810 | 120 810 | 116 411 | 127 941 | 127 870 |
| Transfers and Subsidies - Capital | 1 | 36 816 | 53 899 | 40 930 | 64 827 | 103 834 | 103 834 | 103 834 | 83 294 | 67 198 | 70 178 |
| Interest | | 9 621 | 12 535 | 15 768 | 12 870 | 16 733 | 16 733 | 16 733 | 18 283 | 19 345 | 20 695 |
| Dividends | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Suppliers and employees | | (420 838) | (499 902) | (522 433) | (594 070) | (605 697) | (605 697) | (605 697) | (619 150) | (653 095) | (680 781) |
| Finance charges | | (8 954) | (8 181) | (8 021) | (11 252) | (4 722) | (4 722) | (4 722) | (5 911) | (5 644) | (5 099) |
| Transfers and Grants | 1 | (3 022) | (2 947) | (3 788) | (3 240) | (5 127) | (5 127) | (5 127) | (5 693) | (5 741) | (6 861) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | 91 050 | 94 809 | 119 664 | 61 423 | 89 394 | 89 394 | 89 394 | 85 966 | 77 621 | 96 086 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Proceeds on disposal of PPE | | - | 435 | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current receivables | | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current investments | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Capital assets | | (34 470) | (56 975) | (51 616) | (80 532) | (127 334) | (127 334) | (127 334) | (91 616) | (70 009) | (58 524) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | (34 470) | (56 540) | (51 616) | (80 532) | (127 334) | (127 334) | (127 334) | (91 616) | (70 009) | (58 524) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Short term loans | | - | - | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | | - | 18 835 | - | 18 000 | 18 000 | 18 000 | 18 000 | 16 500 | 16 500 | - |
| Increase (decrease) in consumer deposits | | - | - | - | 592 | 592 | 592 | 592 | - | - | - |
| Payments | | | | | | | | | | | |
| Repayment of borrowing | | (48 365) | (13 991) | (15 906) | (17 000) | (15 249) | (15 249) | (15 249) | (16 874) | (16 874) | (16 874) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | (48 365) | 4 844 | (15 906) | 1 592 | 3 343 | 3 343 | 3 343 | (374) | (374) | (16 874) |
| NET INCREASE/ (DECREASE) IN CASH HELD | | | | | | | | | | | |
| Cash/cash equivalents at the year begin: | 2 | 19 679 | 27 894 | 71 007 | 72 761 | 123 149 | 123 149 | 123 149 | 88 552 | 82 528 | 89 766 |
| Cash/cash equivalents at the year end: | 2 | 27 894 | 71 007 | 123 149 | 55 244 | 88 552 | 88 552 | 88 552 | 82 528 | 89 766 | 110 453 |

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The cash level of Oudtshoorn Municipality, although positive, remains less than ideal, it improves does improve the MTREF and is based on a 95% collection rate.

Table 23 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

| Choose name from list - Table A8 Cash backed reserves/accumulated surplus reconciliation | | | | | | | | | | | |
|------------------------------------------------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | | | | | | | | | | | |
| Cash and investments available | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | 27 894 | 71 007 | 123 149 | 55 244 | 88 552 | 88 552 | 88 552 | 82 528 | 89 766 | 110 453 |
| Other current investments > 90 days | | 0 | (0) | (0) | 0 | 0 | 0 | 0 | - | - | - |
| Non current assets - Investments | 1 | - | - | - | - | - | - | - | - | - | - |
| Cash and investments available: | | 27 894 | 71 007 | 123 149 | 55 244 | 88 552 | 88 552 | 88 552 | 82 528 | 89 766 | 110 453 |
| Application of cash and investments | | | | | | | | | | | |
| Unspent conditional transfers | | 10 188 | 9 534 | 38 694 | 3 695 | - | - | - | - | - | - |
| Unspent borrowing | | - | - | - | - | - | - | - | - | - | - |
| Statutory requirements | 2 | | | | | | | | | | |
| Other working capital requirements | 3 | (8 020) | 5 480 | 14 593 | 17 829 | 28 118 | 28 118 | 28 118 | 28 115 | 25 738 | 21 326 |
| Other provisions | | | | | | | | | 44 264 | 46 968 | 48 779 |
| Long term investments committed | 4 | - | - | - | - | - | - | - | - | - | - |
| Reserves to be backed by cash/investments | 5 | | | | | | | | - | - | - |
| Total Application of cash and investments: | | 2 168 | 15 014 | 53 286 | 21 524 | 28 118 | 28 118 | 28 118 | 72 380 | 72 707 | 70 104 |
| Surplus(shortfall) | | 25 727 | 55 993 | 69 862 | 33 720 | 60 434 | 60 434 | 60 434 | 10 149 | 17 059 | 40 349 |

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. There is compliance with section 18 of the MFMA because the budget is funded and there is no shortfall.
5. From the table it can be seen that for the financial period 2020/2021 a surplus is reflected, it will however only improve slightly over the MTREF illustrating the need to explore additional sources of revenue to further enhance the cash position of the municipality.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the 2020/2021 MTREF is funded.

Table 24 MBRR Table A9 - Asset Management

| Choose name from list - Table A9 Asset Management | | | | | | | | | |
|---------------------------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | 2015/16 | 2016/17 | 2017/18 | Current Year 2018/19 | | | 2019/20 Medium Term Revenue & Expenditure Framework | | |
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2019/20 | Budget Year +1 2020/21 | Budget Year +2 2021/22 |
| CAPITAL EXPENDITURE | | | | | | | | | |
| Total New Assets | 18 590 | 11 804 | 16 477 | 40 467 | 83 829 | 83 829 | 70 002 | 46 778 | 48 775 |
| Roads Infrastructure | – | – | 165 | – | – | – | – | – | – |
| Electrical Infrastructure | – | 4 515 | – | 6 451 | 6 451 | 6 451 | 6 234 | 10 083 | 9 586 |
| Water Supply Infrastructure | – | 375 | 9 368 | 21 159 | 52 897 | 52 897 | 34 783 | 34 782 | 36 451 |
| Sanitation Infrastructure | – | – | – | – | 9 000 | 9 000 | 18 830 | – | – |
| Infrastructure | – | 4 890 | 9 533 | 27 611 | 68 348 | 68 348 | 59 846 | 44 865 | 46 038 |
| Community Facilities | – | – | 58 | 8 500 | 10 442 | 10 442 | 200 | – | – |
| Sport and Recreation Facilities | – | – | – | 500 | 700 | 700 | – | – | – |
| Community Assets | – | – | 58 | 9 000 | 11 142 | 11 142 | 200 | – | – |
| Investment properties | – | – | – | – | – | – | – | – | – |
| Operational Buildings | – | – | 193 | 368 | 234 | 234 | 300 | – | – |
| Other Assets | – | – | 193 | 368 | 234 | 234 | 300 | – | – |
| Licences and Rights | 259 | 1 118 | 667 | 200 | 290 | 290 | 600 | 300 | 300 |
| Intangible Assets | 259 | 1 118 | 667 | 200 | 290 | 290 | 600 | 300 | 300 |
| Computer Equipment | 650 | 972 | 20 | 843 | 1 187 | 1 187 | 1 718 | 918 | 918 |
| Furniture and Office Equipment | 84 | 2 595 | 2 470 | 953 | 1 086 | 1 086 | 1 450 | 267 | 270 |
| Machinery and Equipment | 2 967 | 926 | 3 535 | 770 | 820 | 820 | 2 847 | 428 | 448 |
| Transport Assets | 14 630 | 1 303 | – | 722 | 722 | 722 | 3 040 | – | 800 |
| Total Renewal of Existing Assets | 32 407 | 52 | 5 803 | 1 963 | 3 213 | 3 213 | – | 1 739 | 3 000 |
| Revenue Generating | – | – | – | 1 135 | 2 385 | 2 385 | – | – | – |
| Investment properties | – | – | – | 1 135 | 2 385 | 2 385 | – | – | – |
| Operational Buildings | – | – | – | – | – | – | – | – | – |
| Other Assets | – | – | – | – | – | – | – | – | – |
| Machinery and Equipment | – | – | – | – | – | – | – | – | – |
| Total Upgrading of Existing Assets | – | 46 666 | 32 422 | 47 049 | 40 292 | 40 292 | 37 782 | 33 847 | 17 077 |
| Roads Infrastructure | – | 15 489 | 3 791 | 13 193 | 16 399 | 16 399 | 12 306 | 5 000 | 7 609 |
| Water Supply Infrastructure | – | 11 661 | 9 400 | 17 917 | 8 676 | 8 676 | 7 706 | 5 667 | – |
| Sanitation Infrastructure | – | 480 | 11 232 | 10 151 | 8 180 | 8 180 | 3 440 | 4 250 | – |
| Solid Waste Infrastructure | – | 731 | 3 260 | 470 | 280 | 280 | 7 357 | 15 930 | 9 469 |
| Infrastructure | – | 46 411 | 31 179 | 41 731 | 33 535 | 33 535 | 30 809 | 30 847 | 17 077 |
| Community Facilities | – | – | – | 997 | 997 | 997 | 273 | – | – |
| Sport and Recreation Facilities | – | 131 | 675 | 1 100 | 600 | 600 | 3 500 | 3 000 | – |
| Community Assets | – | 131 | 675 | 2 097 | 1 597 | 1 597 | 3 773 | 3 000 | – |
| Operational Buildings | – | 125 | 568 | 3 222 | 5 160 | 5 160 | 3 200 | – | – |
| Other Assets | – | 125 | 568 | 3 222 | 5 160 | 5 160 | 3 200 | – | – |
| Roads Infrastructure | 16 006 | 15 489 | 3 956 | 13 193 | 16 399 | 16 399 | 12 306 | 5 000 | 7 609 |
| Electrical Infrastructure | 5 979 | 22 564 | 3 119 | 6 451 | 6 451 | 6 451 | 6 234 | 10 083 | 9 586 |
| Water Supply Infrastructure | 1 829 | 12 036 | 18 768 | 39 076 | 61 573 | 61 573 | 42 489 | 40 449 | 36 451 |
| Sanitation Infrastructure | 3 200 | 532 | 16 086 | 10 979 | 18 008 | 18 008 | 22 270 | 4 250 | – |
| Solid Waste Infrastructure | 4 527 | 731 | 3 260 | 470 | 280 | 280 | 7 357 | 15 930 | 9 469 |
| Infrastructure | 31 542 | 51 353 | 45 566 | 70 169 | 102 711 | 102 711 | 90 655 | 75 712 | 63 115 |
| Community Facilities | 526 | – | 58 | 9 497 | 11 439 | 11 439 | 473 | – | – |
| Sport and Recreation Facilities | 339 | 131 | 1 624 | 1 600 | 1 300 | 1 300 | 3 500 | 4 739 | 3 000 |
| Community Assets | 865 | 131 | 1 683 | 11 097 | 12 739 | 12 739 | 3 973 | 4 739 | 3 000 |
| Heritage Assets | – | – | – | – | – | – | – | – | – |
| Operational Buildings | – | 125 | 760 | 3 590 | 5 394 | 5 394 | 3 500 | – | – |
| Other Assets | – | 125 | 760 | 3 590 | 5 394 | 5 394 | 3 500 | – | – |
| Licences and Rights | 259 | 1 118 | 667 | 200 | 290 | 290 | 600 | 300 | 300 |
| Intangible Assets | 259 | 1 118 | 667 | 200 | 290 | 290 | 600 | 300 | 300 |
| Computer Equipment | 650 | 972 | 20 | 843 | 1 187 | 1 187 | 1 718 | 918 | 918 |
| Furniture and Office Equipment | 84 | 2 595 | 2 470 | 953 | 1 086 | 1 086 | 1 450 | 267 | 270 |
| Machinery and Equipment | 2 967 | 926 | 3 535 | 770 | 820 | 820 | 2 847 | 428 | 448 |
| Transport Assets | 14 630 | 1 303 | – | 722 | 722 | 722 | 3 040 | – | 800 |
| TOTAL CAPITAL EXPENDITURE - Asset class | 50 998 | 58 523 | 54 701 | 89 480 | 127 334 | 127 334 | 107 783 | 82 364 | 68 852 |

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40% of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8% of PPE. Although asset renewals meet the requirement at 54.8%, repairs and maintenance are less than the prescribed norm at 2.6% of PPE and it places the health of assets at risk and can lead to a shortened useful life and thus an earlier need for replacement.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights Oudtshoorn Municipality's predicament when it comes to addressing critical maintenance backlogs. It must however be acknowledged that the position has improved over the last 2 financial years and will further improve over the remainder of the MTREF.

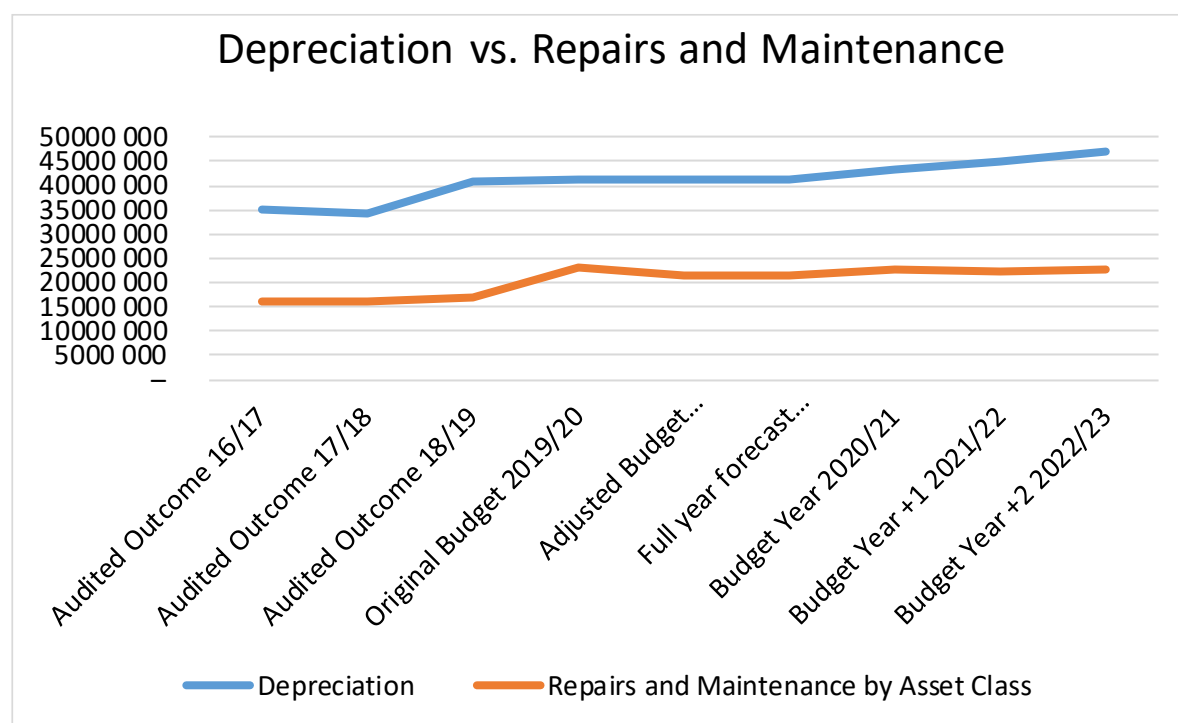


Figure 5 Depreciation in relation to repairs and maintenance over the MTREF

Table 25 MBRR Table A10 - Basic Service Delivery Measurement

Choose name from list - Table A10 Basic service delivery measurement

| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|------------------------------------------------------------------------------------------------------------|-----|---------|---------|---------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Outcome | Outcome | Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Household service targets | 1 | | | | | | | | | |
| Water: | | | | | | | | | | |
| Piped water inside dwelling | | 15 123 | 15 123 | 15 123 | 16 635 | 16 635 | 16 635 | 16 635 | 16 635 | 16 635 |
| Piped water inside yard (but not in dwelling) | | 35 | 35 | 35 | 45 | 45 | 45 | 45 | 45 | 45 |
| Using public tap (at least min.service level) | 2 | 1 367 | 1 367 | 1 367 | 1 367 | 1 367 | 1 367 | 1 367 | 1 367 | 1 367 |
| Other water supply (at least min.service level) | 4 | - | - | - | - | - | - | - | - | - |
| <i>Minimum Service Level and Above sub-total</i> | | 16 525 | 16 525 | 16 525 | 18 047 | 18 047 | 18 047 | 18 047 | 18 047 | 18 047 |
| Using public tap (< min.service level) | 3 | - | - | - | - | - | - | - | - | - |
| Other water supply (< min.service level) | 4 | - | - | - | - | - | - | - | - | - |
| No water supply | | - | - | - | - | - | - | - | - | - |
| <i>Below Minimum Service Level sub-total</i> | | - | - | - | - | - | - | - | - | - |
| Total number of households | 5 | 16 525 | 16 525 | 16 525 | 18 047 | 18 047 | 18 047 | 18 047 | 18 047 | 18 047 |
| Sanitation/sewerage: | | | | | | | | | | |
| Flush toilet (connected to sewerage) | | 15 957 | 15 957 | 15 957 | 16 320 | 16 320 | 16 320 | 16 320 | 16 320 | 16 320 |
| Flush toilet (with septic tank) | | 1 444 | 1 444 | 1 444 | 1 444 | 1 444 | 1 444 | 1 444 | 1 444 | 1 444 |
| Chemical toilet | | - | - | - | - | - | - | - | - | - |
| Pit toilet (ventilated) | | - | - | - | - | - | - | - | - | - |
| Other toilet provisions (> min.service level) | | - | - | - | - | - | - | - | - | - |
| <i>Minimum Service Level and Above sub-total</i> | | 17 401 | 17 401 | 17 401 | 17 764 | 17 764 | 17 764 | 17 764 | 17 764 | 17 764 |
| Bucket toilet | | - | - | - | - | - | - | - | - | - |
| Other toilet provisions (< min.service level) | | - | - | - | - | - | - | - | - | - |
| No toilet provisions | | - | - | - | - | - | - | - | - | - |
| <i>Below Minimum Service Level sub-total</i> | | - | - | - | - | - | - | - | - | - |
| Total number of households | 5 | 17 401 | 17 401 | 17 401 | 17 764 | 17 764 | 17 764 | 17 764 | 17 764 | 17 764 |
| Energy: | | | | | | | | | | |
| Electricity (at least min.service level) | | 17 081 | 17 081 | 24 012 | 18 789 | 18 789 | 18 789 | 18 789 | 18 789 | 18 789 |
| Electricity - prepaid (min.service level) | | - | - | - | - | - | - | - | - | - |
| <i>Minimum Service Level and Above sub-total</i> | | 17 081 | 17 081 | 24 012 | 18 789 | 18 789 | 18 789 | 18 789 | 18 789 | 18 789 |
| Electricity (< min.service level) | | - | - | - | - | - | - | - | - | - |
| Electricity - prepaid (< min. service level) | | - | - | - | - | - | - | - | - | - |
| Other energy sources | | - | - | - | - | - | - | - | - | - |
| <i>Below Minimum Service Level sub-total</i> | | - | - | - | - | - | - | - | - | - |
| Total number of households | 5 | 17 081 | 17 081 | 24 012 | 18 789 | 18 789 | 18 789 | 18 789 | 18 789 | 18 789 |
| Refuse: | | | | | | | | | | |
| Removed at least once a week | | - | - | - | - | - | - | - | - | - |
| <i>Minimum Service Level and Above sub-total</i> | | 14 367 | 14 367 | 24 012 | 15 803 | 15 803 | 15 803 | 15 803 | 15 803 | 15 803 |
| Removed less frequently than once a week | | - | - | - | - | - | - | - | - | - |
| Using communal refuse dump | | - | - | - | - | - | - | - | - | - |
| Using own refuse dump | | - | - | - | - | - | - | - | - | - |
| Other rubbish disposal | | - | - | - | - | - | - | - | - | - |
| No rubbish disposal | | - | - | - | - | - | - | - | - | - |
| <i>Below Minimum Service Level sub-total</i> | | 14 367 | 14 367 | 24 012 | 15 803 | 15 803 | 15 803 | 15 803 | 15 803 | 15 803 |
| Total number of households | 5 | 14 367 | 14 367 | 24 012 | 15 803 | 15 803 | 15 803 | 15 803 | 15 803 | 15 803 |
| Households receiving Free Basic Service | 7 | | | | | | | | | |
| Water (6 kilolitres per household per month) | | 5 543 | 5 543 | 6 493 | 7 142 | 7 142 | 7 142 | 8 317 | 8 816 | 9 345 |
| Sanitation (free minimum level service) | | 5 543 | 5 543 | 6 384 | 7 022 | 7 022 | 7 022 | 7 071 | 7 707 | 8 401 |
| Electricity/other energy (50kwh per household per month) | | 5 543 | 5 543 | 6 234 | 6 857 | 6 857 | 6 857 | 7 387 | 7 838 | 8 316 |
| Refuse (removed at least once a week) | | 5 543 | 5 543 | 6 391 | 7 030 | 7 030 | 7 030 | 7 073 | 7 922 | 8 872 |
| Cost of Free Basic Services provided - Formal Settlements (R'000) | 8 | | | | | | | | | |
| Water (6 kilolitres per indigent household per month) | | 8 584 | 9 929 | 11 776 | 11 936 | 13 682 | 13 682 | 14 913 | 16 255 | 17 718 |
| Sanitation (free sanitation service to indigent households) | | 5 625 | 6 490 | 8 443 | 8 554 | 9 989 | 9 989 | 10 888 | 11 868 | 12 936 |
| Electricity/other energy (50kwh per indigent household per month) | | 4 340 | 5 259 | 7 086 | 6 241 | 8 159 | 8 159 | 6 241 | 9 167 | 9 717 |
| Refuse (removed once a week for indigent households) | | 5 589 | 6 664 | 8 785 | 9 007 | 10 738 | 10 738 | 12 027 | 13 470 | 15 086 |
| Cost of Free Basic Services provided - Informal Formal Settlements (R'000) | | - | - | - | - | - | - | - | - | - |
| Total cost of FBS provided | | 24 137 | 28 341 | 36 090 | 35 738 | 42 568 | 42 568 | 44 069 | 50 760 | 55 458 |
| Highest level of free service provided per household | | | | | | | | | | |
| Property rates (R value threshold) | | | 702 | 753 | 797 | 797 | 797 | 845 | 895 | 949 |
| Water (kilolitres per household per month) | | | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sanitation (kilolitres per household per month) | | | | | | | | | | |
| Sanitation (Rand per household per month) | | | 1 239 | 1 339 | 1 426 | 1 426 | 1 426 | 1 554 | 1 694 | 1 846 |
| Electricity (kwh per household per month) | | | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Refuse (average litres per week) | | | 1 262 | 1 397 | 1 539 | 1 539 | 1 539 | 1 723 | 1 744 | 1 765 |
| Revenue cost of subsidised services provided (R'000) | 9 | | | | | | | | | |
| Property rates (tariff adjustment) (impermissible values per section 17 of MPRA) | | 1 095 | 1 153 | 1 214 | 1 285 | 1 285 | 1 285 | 1 362 458 | 1 444 206 | 1 530 858 |
| Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA | | 5 089 | 3 819 | 4 572 | 5 089 | 5 089 | 5 089 | 5 868 | 6 191 | 6 535 |
| Total revenue cost of subsidised services provided | | 6 184 | 4 972 | 5 785 | 6 374 | 6 374 | 6 374 | 7 230 | 7 636 | 8 065 |

Explanatory notes to Table A10 - Basic Service Delivery Measurement

- Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Political overview of the budget process

Section 53 of the MFMA stipulates that the Mayor should exercise general political guidance over the budgeting process and must direct the drafting of the budget, in the case of Oudtshoorn municipality the administrator fulfills the responsibility of the mayor and it is under his hand that the budget and supporting documentation is presented to council for consideration.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year, a time schedule that sets out the process to revise the IDP and prepare the budget.

The required IDP and budget time schedule was prepared in August 2018 with relevant key deadlines as follows:

- **10 to 27 September 2019 & 01 to 04 October 2019** – Public participation meetings with communities.
- **31 August 2019** – Council Approval of Schedule of Key Deadlines
- **February 2020** – Ward Committee Meetings in 13 wards
- **31 March 2020** – Tabling of the draft budget
- **14-20 April 2020** - Public participation of draft budget
- **31 May 2020** – Submission of the budget to council for consideration and approval

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The 2020/2021 financial year is the third year of the 4th generation IDP and the consultation process commenced shortly after the current financial year commenced to ensure appropriate forward planning.

Oudtshoorn Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan includes the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2020/2021 MTREF, based on the approved 2019/20 MTREF, mid-year review and adjustments budget. The planning process has subsequently been adjusted after considering the revised revenue projections and expenditure patterns contained in the approved adjustments budget. An important factor impacting on the IDP, planning and budgeting processes remain the financial recovery that is well underway and projects, plans and priorities are therefore carefully rolled out as financial resources become available.

With the compilation of the 2020/2021 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2019/20 adjusted budget.

2.1.3 Financial Modeling and Key Planning Drivers

As part of the compilation of the 2020/2021 MTREF, further extensive financial analysis was undertaken for a variety of expenditure items and categories to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2020/2021 MTREF:

- Growth in the local economy;
- Policy priorities and strategic objectives;
- Asset maintenance;
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns and need for housing);
- Performance trends where available;
- The approved 2019/20 adjustments budget and year-to-date performance;
- Cash flow management strategy, the financial recovery process and continued service delivery demands;
- Debtor payment levels;
- Investment possibilities;
- The need for tariff increases to aide in the recovery versus the ability of the community to pay for services;
- Improved and sustainable service delivery under extreme financial distress.

In addition to the above, the contents of the National Treasury's MFMA previous budget related circulars and recent ones in Circular 78, 79, 85, 86, 89, 91, 93 and 94,96,97,98 and 99 have been considered in the planning and prioritisation process.

2.1.4 Community Consultation

The 2020/2021 MTREF as tabled in council will be consulted with communities and stakeholders to ensure transparency in the financial management processes of the municipality.

The input received from the local community through the public meetings will be considered for inclusion in the MTREF, subject of course to the IDP priorities coupled with the availability of funds.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society as highlighted in the National Development Plan can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. This is the second review of the current IDP cycle of 5 years and it is of essence that all stakeholders actively participate in the IDP process in order to ensure appropriate priorities are linked to scarce funding sources.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and Oudtshoorn municipality's response to these requirements. The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- The National Development Plan (NDP)
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- National Key Performance Indicators (NKPIS);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and

Table 26 IDP Strategic Objectives

The IDP strategic objectives for Oudtshoorn are listed below:

1. To create sustainable integrated human settlements and safe neighborhoods where communities can prosper
2. To provide quality basic services and infrastructure which includes, amongst others.
3. To achieve financial sustainability and strengthen municipal transformation and development
4. To promote social, rural and spatial economic development
5. An ethical and transparent local government that is responsive to the needs of the community and encourage public participation

In order to ensure integrated and focused service delivery between all spheres of government it was important for Oudtshoorn Municipality to align its budget priorities with that of national and

provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. To create sustainable integrated human settlements and safe neighbourhoods where communities can prosper
 - a. Effective implementation of the Human settlements program;
 - b. Extending waste removal services and ensuring an effective cleansing service;
 - c. Creating a safe environment for our communities in collaboration with the SAPS;
 - d. Ensuring safe working environments by effective enforcement of building and health regulations;
 - e. Promote viable, sustainable communities through proper zoning; and
 - f. Promote environmental sustainability by protecting the environment and key public open spaces
2. Provision of quality basic services and infrastructure which includes, amongst others:
 - o Provide electricity;
 - o Provide water;
 - o Provide sanitation;
 - o Provide waste removal;
 - o Provide housing;
 - o Provide roads and storm water;
 - o Provide public transport;
 - o Provide city planning services; and
 - o Maintaining the infrastructure of Oudtshoorn Municipality.
 - o Ensuring all waste water treatment works are operating optimally and obtaining green drop status;
3. Ensure financial sustainability through:
 - a. Carefully evaluating all spending decisions
 - b. Implementing savings measures across the board
 - c. Limiting the use of consultants and reviewing the use of contracted services
 - d. Ensuring value for money spending in all procurement processes.
 - e. Protecting assets from falling into a state of disrepair and implement the infrastructure renewal strategy and the repairs and maintenance plan in accordance with availability of financial resources.
4. Economic growth and development that leads to sustainable job creation by:
 - o Ensuring there is spatial development framework for Oudtshoorn Municipality;
 - o Ensuring planning processes function in accordance with set timeframes;
 - o Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 4.1 Integrated Social Services for empowered and sustainable communities
 - o Work with provincial departments to ensure the development of community infrastructure such as schools, hospitals and clinics are properly coordinated.

5. An ethical and transparent local government that is responsive to the needs of the community and encourage public participation
 - 5.1 Promote sound transparent and accountable governance through:
 - Publishing the outcomes of all tender processes on the municipal website
 - Establishing a well-functioning audit- and oversight committee and MPAC
 - 5.2 Foster participatory democracy and Batho-Pele principles through a caring, accessible and accountable service by:
 - Optimizing effective community participation in the ward committee system; and
 - Implementing Batho-Pele in the revenue management strategy.
 - 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
 - Implementation of the revised organizational structure to optimize the use of personnel;

In line with the Municipal Systems Act, the IDP constitutes a single, inclusive strategic plan for Oudtshoorn Municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, Oudtshoorn Municipality needs to undertake an extensive planning and developmental strategy that will primarily focus on a longer-term horizon; 15 to 20 years. This process is necessary to influence the future development path and to set clear goals for the future development within the municipal area. The strategy needs to target future developmental opportunities in traditional dormitory settlements. It should provide direction to Oudtshoorn Municipality's IDP, associated sectorial plans and strategies, and the allocation of resources from the municipality and other service delivery partners.

The long-term plan was updated as part of the budget process provides financial direction to the municipality over the next 10 to 15 years setting out revenue, expenditure and capital requirements and funding predictions. It considers, not only the financial analysis, but a broader analysis which includes condition of the infrastructure, social and economic trends as part of the analysis to properly plan for the future sustainability of the municipality.

The 2020/2021 MTREF has therefore been informed by the IDP process and the following tables provide reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 27 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

| Choose name from list - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue) | | | | | | | | | | | | | |
|--------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|---------|
| Strategic Objective | Goal | Goal Code | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | | |
| | | | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 | |
| R thousand | | | | | | | | | | | | | |
| Basic Services & Infrastructure | To provide quality basic services and infrastructure which includes, amongst others. To Promote social, rural and spatial economic development | | | 340 731 | 446 795 | 490 110 | 522 761 | 558 876 | 558 876 | 521 677 | 550 712 | 594 623 | |
| | To create sustainable integrated human settlements and safe neighbourhoods where communities can prosper | | | | | | | | | 44 040 | 32 000 | 26 000 | |
| Municipal Transformation & Institutional Development | To achieve financial sustainability and strengthen municipal transformation and development | | | 16 147 | 17 869 | 18 190 | 19 168 | 19 168 | 19 168 | 19 930 | 20 723 | 21 547 | |
| Municipal Financial Viability and Management | To achieve financial sustainability and strengthen municipal transformation and development | | | 70 985 | 86 301 | 91 904 | 96 240 | 96 758 | 96 758 | 101 310 | 107 513 | 114 028 | |
| Local Economic Development | To promote social, rural and spacial economic development. To create sustainable integrated human settlements and safe neighbourhoods where communities prosper. To provide basic services to all residents in an environmentally friendly manner | | | - | - | - | - | 1 545 | 1 545 | - | - | - | |
| Good Governance & Community Participation | An Ethical and transparent local government that is responsive to the needs of the community and encourage public participation | | | 137 947 | 88 447 | 79 001 | 52 413 | 57 168 | 57 168 | 60 710 | 63 943 | 67 984 | |
| Allocations to other priorities | | | | 2 | | | | | | | | | |
| Total Revenue (excluding capital transfers and contributions) | | | | 1 | 565 810 | 639 411 | 679 205 | 690 581 | 733 514 | 733 514 | 747 667 | 774 890 | 824 183 |

Table 28 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

| Choose name from list - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure) | | | | | | | | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|---------|
| Strategic Objective | Goal | Goal Code | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | | |
| | | | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 | |
| R thousand | | | | | | | | | | | | | |
| Basic Services & Infrastructure | To provide quality basic services and infrastructure which includes, amongst others. To Promote social, rural and spatial economic | | | 348 515 | 426 033 | 469 723 | 501 673 | 506 328 | 506 328 | 474 695 | 495 546 | 522 934 | |
| | To create sustainable integrated human settlements and safe neighbourhoods where communities can prosper | | | | | | | | | 36 774 | 43 601 | 38 475 | |
| Municipal Transformation & Institutional Development | To achieve financial sustainability and strengthen municipal transformation and development | | | 12 067 | 16 120 | 31 238 | 24 364 | 23 148 | 23 148 | 23 222 | 24 909 | 26 473 | |
| Municipal Financial Viability and Management | To achieve financial sustainability and strengthen municipal transformation and development | | | 32 236 | 36 359 | 69 495 | 47 925 | 49 707 | 49 707 | 55 588 | 57 213 | 59 414 | |
| Local Economic Development | To promote social, rural and spacial economic development. To create sustainable integrated human settlements and safe | | | 11 157 | 16 271 | 5 639 | 25 062 | 23 803 | 23 803 | 23 577 | 24 951 | 27 050 | |
| Good Governance & Community Participation | An Ethical and transparent local government that is responsive to the needs of the community and encourage public participation | | | 84 367 | 82 037 | 49 977 | 89 627 | 87 760 | 87 760 | 90 602 | 94 245 | 98 928 | |
| Allocations to other priorities | | | | | | | | | | | | | |
| Total Expenditure | | | | 1 | 488 342 | 576 820 | 626 072 | 688 652 | 690 745 | 690 745 | 704 459 | 740 465 | 773 274 |

Table 29 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

| Choose name from list - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure) | | | | | | | | | | | | | |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|--------|
| Strategic Objective | Goal | Goal Code | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | | |
| | | | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 | |
| R thousand | | | | | | | | | | | | | |
| Basic Services & Infrastructure | To provide quality basic services and infrastructure which includes, amongst others. To Promote social, rural and spatial economic | K | | 35 335 | 53 626 | 45 970 | 84 645 | 120 285 | 120 285 | 83 851 | 81 088 | 67 572 | |
| | To create sustainable integrated human settlements and safe neighbourhoods where communities can prosper | | | | | | | | 18 830 | - | - | | |
| Municipal Transformation & Institutional Development | To achieve financial sustainability and strengthen municipal transformation and development | L | | | | | | | | | | | |
| Municipal Financial Viability and Management | To achieve financial sustainability and strengthen municipal transformation and development | M | | 909 | 3 099 | 2 836 | 1 528 | 1 904 | 1 904 | 2 403 | 1 205 | 1 205 | |
| Local Economic Development | To promote social, rural and spacial economic development. To create sustainable integrated human settlements and safe | N | | - | - | 206 | 1 215 | 2 465 | 2 465 | 567 | 71 | 75 | |
| Good Governance & Community Participation | An Ethical and transparent local government that is responsive to the needs of the community and encourage public participation | O | | 14 754 | 1 797 | 5 688 | 2 092 | 2 680 | 2 680 | 2 132 | - | - | |
| Allocations to other priorities | | | | 3 | | | | | | | | | |
| Total Capital Expenditure | | | | 1 | 50 998 | 58 522 | 54 701 | 89 480 | 127 334 | 127 334 | 107 783 | 82 364 | 68 852 |

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, Oudtshoorn Municipality needs to develop and implement a performance management system which is constantly refined as the integrated planning process unfolds. The Municipality must target, monitor, assess and review organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

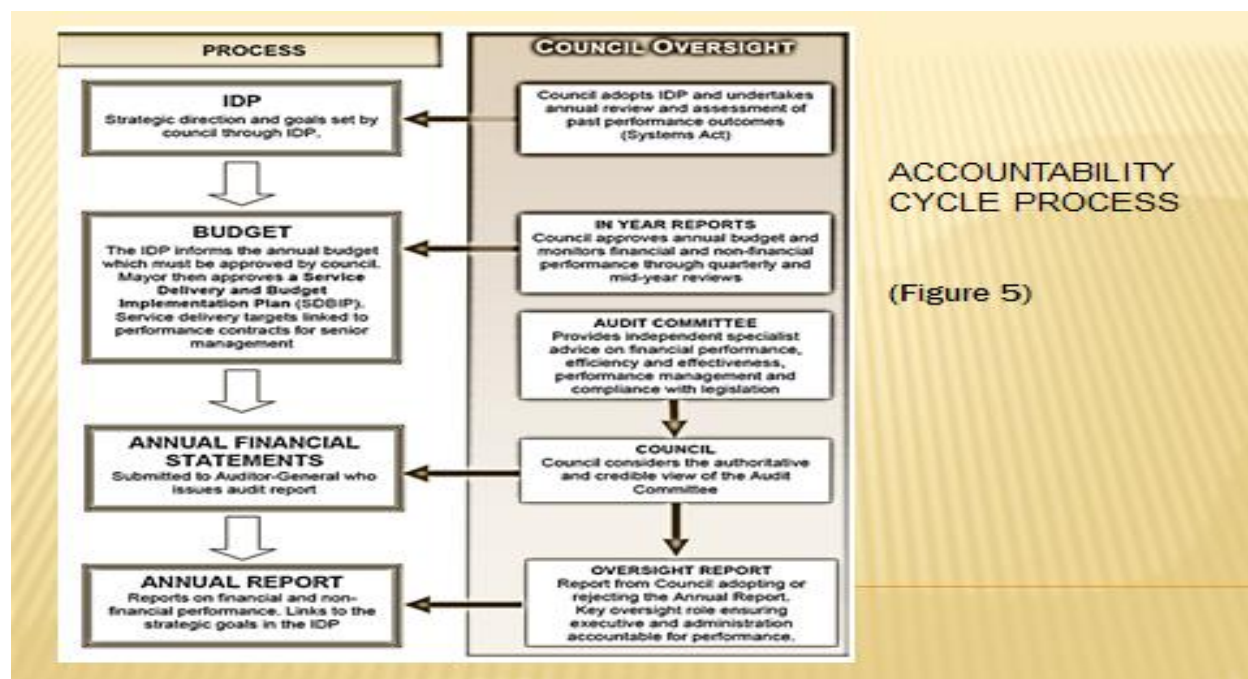


Figure 6 Planning, budgeting and reporting cycle

The performance of Oudtshoorn Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. Oudtshoorn Municipality therefore must adopt one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by Oudtshoorn Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

The following table provides some of the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 30 MBRR Table SA7 - Measurable performance objectives

| Choose name from list - Supporting Table SA7 Measureable performance objectives | | | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | Unit of measurement | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Adjusted Budget | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Office of the Municipal Manager (Performance Management, Risk Management & Internal Audit) | | | | | | | | |
| Internal Audit and Risk Management | | | | | | | | |
| Complete and submit the three year Risk Based Audit Plan (RBAP) to the Audit committee by 30 June 2020 | RBAP compiled and submitted to the Audit Committee | 0.0% | 0.0% | | 100.0% | 1 | 1 | 1 |
| Internal Audit and Risk Management | | | | | | | | |
| Complete 90% of audits as per Internal Audit Plan | 90% of audits completed | 90.0% | 90.0% | 90.0% | 90.0% | 90.0% | 90.0% | 90.0% |
| Internal Audit and Risk Management | | | | | | | | |
| Complete the annual risk register and submit to the Audit Committee by 30 June 2020 | Risk register completed and submitted to the Audit Committee | 0.0% | 0.0% | 1 | 1 | 1 | 1 | 1 |
| Performance Management | | | | | | | | |
| Function 2 - (name) | | | | | | | | |
| Sub-function 1 - (name) | | | | | | | | |
| Insert measure/s description | | | | | | | | |
| | | | | | | | | |
| Performance Management Framework reviewed and submitted to Council for approval by 31 May 2018 | | New KPI | New KPI | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Review the Performance Management Framework and submit to Council for approval by 31 May 2020 | | | | | | | | |
| Financial Services | | | | | | | | |
| Free Basic Services | | | | | | | | |
| Provide subsidies for free basic water to indigent households as at 30 June 2020 | Number of indigent households receiving subsidies for free basic water as per PROMUN financial system as at 30 June | 0.0% | 0.0% | 5 150 | 5 150 | 5 150 | 6 500 | 5 150 |
| Provide subsidies for free basic electricity to indigent households (including ESKOM supply area) as at 30 June 2020 | Number of indigent households receiving subsidies for free basic electricity as per PROMUN financial system as at 30 June | 0.0% | 0.0% | 4 800 13 750 | 4 800 13 750 | 13 750 | 6 300 | 13 750 |
| Number of residential properties which are billed for sewerage in as at 30 June 2020 | Number of residential properties which are billed for sewerage in as at 30 June | | | 13 750 | 13 750 | 13 750 | 13 750 | 13 750 |
| Provide piped water to residential properties which are connected to the municipal water infrastructure network and billed for the service as at 30 June 2020 | Number of residential properties that receive piped water as per the FMS as at 30 June | | | 13 750 | 13 750 | 13 750 | 13 750 | 13 750 |
| Number of residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering) as per the FMS as at 30 June | Number of residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering) as per the FMS as at 30 June | 0.0% | 0.0% | 5 100 | 5 100 | 5 150 | 14 321 | 5 150 |
| Provide subsidies for free basic refuse removal to indigent households as at 30 June 2019 | Number of indigent households receiving subsidies for free basic refuse removal as per PROMUN financial system as at 30 June | 0.0% | 0.0% | 5 100 | 5 100 | 5 100 | 6 400 | 5 100 |
| Provide subsidies for free basic sanitation to indigent households as at 30 June 2019 | Number of indigent households receiving subsidies for free basic sanitation as per PROMUN financial system as at 30 June | 0.0% | 0.0% | 13 750 | 13 750 | 13 750 | 14 321 | 13 750 |
| Provide refuse services to residential properties for which refuse is removed and billed for the service as at 30 June 2019 | Provide refuse services to residential properties for which refuse is removed and billed for the service as at 30 June 2019 | | | | | | | |
| Municipal Capital Budget | | | | | | | | |
| projects as at 30 June 2019 ((Actual amount spent on capital projects /Total amount budgeted for capital projects)X100) | % the capital budget spent on capital projects as at 30 June 2019 | 85.0% | 85.0% | 85.0% | 85.0% | 85.0% | 95.0% | 95.0% |
| Debt obligations | | | | | | | | |
| service debt obligations as at 30 June 2019 ((Short Term Borrowing + Bank Overdraft + Short Term | % of debt coverage as at 30 June 2019 | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 16.6% | 16.6% |
| Outstanding service debtors | | | | | | | | |
| June 2019 ((Total outstanding service debtors/ revenue received for services)X100) | % of outstanding service debtors (total outstanding debtors refers to total net debtors) | 15.0% | 15.0% | 15.0% | 9.8% | 9.8% | 9.8% | 9.8% |
| Cover Fixed Operating Expenditure | | | | | | | | |
| operating expenditure as at 30 June 2019 ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly | Number of months it takes to cover fix operating expenditure with available cash | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% | 1.20 | 1.20 |
| Debtor payment achieved | | | | | | | | |
| Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off/Billed Revenue x 100) | % debtor payment achieved as at 30 June 2018 | 96.0% | 96.0% | 96.0% | 96.0% | 96.0% | 95.0% | 95.0% |

| | | | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------------------------------------------------------------------|---------|---------|---------|--------|--------|--------|
| Corporate Services | | | | | | | | |
| Employment Equity | | | | | | | | |
| Number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan during the 2017/18 financial year | | Number of people employed in the three highest levels of management | 0.0% | 0.0% | 1 | 1 | 1 | 1 |
| Limit vacancy rate to less than 20% of budgeted post by 30 June | | % Vacancy rate | | | 20.0% | 20.0% | 20.0% | 20.0% |
| Skills Development | | | | | | | | |
| Spend 0.5% of the municipality's personnel budget on implementing its workplace skills plan by 30 June 2019 [(Actual amount spent on training/total personnel budget)x100] | | % of the budget spent | n/a | n/a | 0.50 | 0.00 | 0.00 | 0.50 |
| Insert measure/s description | | | | | | | | |
| Technical Services | | | | | | | | |
| Job opportunities | | | | | | | | |
| Create temporary jobs - FTE's in terms of EPWP by 30 June 2020 | | Number of job opportunities created by 30 June 2020 | 0.0% | 0.0% | 65 | 65 | 65 | 65 |
| Roads Constructed | | | | | | | | |
| Construct 0.5 km of new roads (upgrade surface standard) by 30 June | | KM's of new roads constructed | | | 0.50 | 0.50 | 0.50 | 0.50 |
| Rehabilitation of Roads | | | | | | | | |
| Resurface/rehabilitate 2km's of roads by 30 June 2020 | | Number of km's of roads resurfaced/rehabilitated | | New KPI | New KPI | 2km | 2km | 2km |
| Limit unaccounted for electricity to less than 13% by 30 June {(Number | | % unaccounted electricity by 30 June | | New KPI | New KPI | 13.0% | 13.0% | 13.0% |
| Spend 90% of the electricity maintenance budget by 30 June {(Actual | | % Budget Spent | | | | 90.0% | 90.0% | 90.0% |
| Spend 90% of the roads and stormwater maintenance budget by 30 | | % Budget Spent | | | | 90.0% | 90.0% | 90.0% |
| Spend 90% of approved project budget for the installation of stormwater | | % Budget Spent | | | | 90.0% | 90.0% | 90.0% |
| Spend 90% of the sewerage maintenance budget by 30 June 2019 | | % Budget Spent | | | | 90.0% | 90.0% | 90.0% |
| Appoint 6 class operators for the waste water treatment works by 30 | | Class operators appointed | | | | 600.0% | 600.0% | 600.0% |
| Limit unaccounted for water to less than 25% by 30 June 2020{(Number | | % unaccounted water | | | | 25.0% | 25.0% | 25.0% |
| Spend 90% of the water maintenance budget by 30 June 2020 {(Actual | | % Budget Spent | | | | 90.0% | 90.0% | 90.0% |
| Housing | | | | | | | | |
| Top Structures | | | | | | | | |
| Upgrade 100 sites in Central Oudtshoorn informal Settlements (GG | | Number of sites upgraded | | | | 100 | | |
| Replace mud houses (3 sites, 6 top structures)in Bongoletu by 30 June | | Number of mud houses replaced | | | | 9 | | |
| Upgrade of 30 houses in Bongoletu by 30 June 2019 | | Number of houses upgraded | | | | 30 | | |
| Build 32 BNG houses in Bongoletu/Bridgton (site and top structure) by | | Number of BNG houses built | | | | 32 | | |
| Upgrade 100 sites in Dysselsdorp by 30 June 2019 | | Number of sites upgraded | | | | 100 | | |
| Construct 21 new houses at Spieskamp using alternative (green) | | Number of houses constructed | | | | 21 | | |
| Community Services | | | | | | | | |
| Parks | | | | | | | | |
| Spent 70% of the maintenance budget of gardens/ parks/ resorts/sport fields/ | | % Budget Spent | | | | 70 | 70 | 70 |
| Library | | | | | | | | |
| Spend 70% of the library maintenance budget by 30 June 2020 {(Actual | | % Budget Spent | New KPI | New KPI | 70 | 70 | 70 | 70 |
| Spend 85% of the approved capital budget spent on the construction of the | | % Budget Spent | | | 85 | 85 | 85 | 85 |
| Refuse removal | | | | | | | | |
| Spend 70% of the refuse removal maintenance budget by 30 June 2020 | | | New KPI | New KPI | 70 | 70 | 70 | 70 |
| {(Actual expenditure on maintenance budget divided by the total approved maintenance budget)x100} | | | | | | | | |
| Strategic Services | | | | | | | | |
| Final IDP | | | | | | | | |
| Review and submit the final IDP for 2019/2020 to Council by 31 May 2020 | | IDP reviewed and submitted to Council by 31 May 2019 | 100.0% | 100.0% | 1 | 1 | 1 | 1 |
| Economic Growth Development | | | | | | | | |
| Review and submit the LED strategy to Council by 30 June 2020 | | LED strategy reviewed and submitted | New KPI | New KPI | 1 | 1 | 1 | 1 |
| And so on for the rest of the Votes | | | | | | | | |

The following table sets out the municipality's main performance objectives and benchmarks for the 2020/2021 MTREF.

Table 31 MBRR Table SA8 - Performance indicators and benchmarks

| Choose name from list - Supporting Table SA8 Performance indicators and benchmarks | | | | | | | | | | | |
|------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| Description of financial indicator | Basis of calculation | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| <u>Borrowing Management</u> | | | | | | | | | | | |
| Credit Rating | | | | | | | | | | | |
| Capital Charges to Operating Expenditure | Interest & Principal Paid /Operating Expenditure | 12.9% | 4.4% | 3.8% | 4.1% | 2.9% | 2.9% | 2.9% | 3.2% | 3.0% | 2.8% |
| Capital Charges to Own Revenue | Finance charges & Repayment of borrowing /Own Revenue | 13.9% | 5.4% | 4.7% | 5.4% | 3.9% | 3.9% | 3.9% | 4.2% | 3.9% | 3.5% |
| Borrowed funding of 'own' capital expenditure | Borrowing/Capital expenditure excl. transfers and grants and contributions | 0.0% | 393.6% | 0.0% | 56.3% | 52.1% | 52.1% | 52.1% | 50.2% | 68.9% | 0.0% |
| <u>Safety of Capital</u> | | | | | | | | | | | |
| Gearing | Long Term Borrowing/ Funds & Reserves | 0.0% | 0.0% | 0.0% | 351.3% | 248.3% | 248.3% | 248.3% | 0.0% | 0.0% | 0.0% |
| <u>Liquidity</u> | | | | | | | | | | | |
| Current Ratio | Current assets/current liabilities | 0.8 | 1.1 | 1.2 | 0.8 | 1.1 | 1.1 | 1.1 | 1.0 | 1.0 | 1.2 |
| Current Ratio adjusted for aged debtors | Current assets less debtors > 90 days/current liabilities | 0.8 | 1.1 | 1.2 | 0.8 | 1.1 | 1.1 | 1.1 | 1.0 | 1.0 | 1.2 |
| Liquidity Ratio | Monetary Assets/Current Liabilities | 0.3 | 0.6 | 0.8 | 0.4 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.8 |
| <u>Revenue Management</u> | | | | | | | | | | | |
| Annual Debtors Collection Rate (Payment Level %) | Last 12 Mths Receipts/Last 12 Mths Billing | | 100.0% | 100.0% | 100.0% | 97.0% | 95.0% | 95.0% | 95.0% | 95.0% | 95.0% |
| Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue) | | 100.0% | 100.0% | 100.0% | 97.0% | 95.0% | 95.0% | 95.0% | 95.0% | 95.0% | 95.0% |
| Outstanding Debtors to Revenue | Total Outstanding Debtors to Annual Revenue | 10.4% | 8.6% | 7.8% | 7.4% | 8.7% | 8.7% | 8.7% | 7.5% | 7.8% | 8.1% |
| Longstanding Debtors Recovered | Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old | 95.0% | | | | | | | | | |
| | | | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 | 0.95 |
| <u>Creditors Management</u> | | | | | | | | | | | |
| Creditors System Efficiency | % of Creditors Paid Within Terms (within 'MFMA' s 65(e)) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Creditors to Cash and Investments | | 147.1% | 72.8% | 49.8% | 111.9% | 89.1% | 89.1% | 89.1% | 90.1% | 85.7% | 70.6% |
| | | | | | | | | | | | |
| <u>Other Indicators</u> | | | | | | | | | | | |
| | Total Volume Losses (kW) | | | | | | | | | | |
| | | 15616883 | 12440820 | 16662382 | 16662382 | 16662382 | 16662382 | 16662382 | 16662382 | 16662382 | 16662382 |
| | Total Cost of Losses (Rand '000) | | | | | | | | | | |
| Electricity Distribution Losses (2) | % Volume (units purchased and generated less units sold)/units purchased and generated | | | | | | | | | | |
| | | 0 | 8.2% | 11.4% | 11.4% | 11.4% | 11.4% | 11.4% | 11.4% | 11.4% | 11.4% |
| | Total Volume Losses (kl) | | | | | | | | | | |
| | | 513 | 1 135 | 4 919 | 4 919 | 4 919 | 4 919 | 4 919 | 4 919 | 4 919 | 4 919 |
| Water Distribution Losses (2) | % Volume (units purchased and generated less units sold)/units purchased and generated | | | | | | | | | | |
| | | 0 | 17.6% | 16.1% | 16.1% | 16.1% | 16.1% | 16.1% | 16.1% | 16.1% | 16.1% |
| Employee costs | Employee costs/(Total Revenue - capital revenue) | 35.3% | 36.8% | 36.6% | 44.2% | 43.2% | 43.2% | 43.2% | 41.1% | 41.2% | 41.4% |
| Remuneration | Total remuneration/(Total Revenue - capital revenue) | 37.0% | 38.5% | 38.3% | 46.1% | 45.0% | 45.0% | | 42.8% | 42.9% | 43.1% |
| Repairs & Maintenance | R&M/(Total Revenue excluding capital revenue) | 3.1% | 2.7% | 2.7% | 3.7% | 3.4% | 3.4% | | 3.4% | 3.2% | 3.0% |
| Finance charges & Depreciation | FC&D/(Total Revenue - capital revenue) | 9.4% | 7.8% | 7.6% | 8.4% | 7.3% | 7.3% | 7.3% | 7.4% | 7.2% | 6.9% |
| <u>IDP regulation financial viability indicators</u> | | | | | | | | | | | |
| i. Debt coverage | (Total Operating Revenue - Operating Grants)/Debt service payments due within financial year) | 17.1 | 14.9 | 17.0 | 16.4 | 16.4 | 16.4 | 14.5 | 15.1 | 15.4 | 16.7 |
| ii. O/S Service Debtors to Revenue | Total outstanding service debtors/annual revenue received for services | 14.1% | 12.3% | 11.7% | 9.8% | 12.0% | 12.0% | 12.0% | 10.1% | 10.6% | 10.8% |
| iii. Cost coverage | (Available cash + Investments)/monthly fixed operational expenditure | 0.9 | 1.8 | 3.0 | 1.2 | 1.9 | 1.9 | 1.9 | 1.7 | 1.8 | 2.1 |

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long-term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Oudtshoorn Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of Oudtshoorn Municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2020/2021 MTREF:

- *Borrowing to asset ratio* is a measure of the long-term borrowing as a percentage of the total asset base of the municipality. This ratio is decreasing over the MTREF from 15.54% at the end of June 2016 to 4.94% anticipated at the end of June 2020, this leaves scope for borrowing to be considered as a funding option for capital expenditure during the 2020/2021 financial year and over the remainder of the MTREF
- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing will remain in a narrow band over the MTREF with a current ratio of 4.3% and marginally increasing over the MTREF to approximately 5%. Borrowing is considered a prudent financial instrument in financing capital infrastructure and the current financial position of the municipality allows for moderate amounts of gearing to be used as a capital funding option.
- Borrowing funding of own capital expenditure measures the degree to which own capital expenditure (excluding grants and contributions) has been funded by way of borrowing. We envisage to raise in the amount of R45 Million over the duration of the MTREF.

Oudtshoorn Municipality's debt profile provides some interesting insights on Oudtshoorn Municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

Oudtshoorn Municipality has raised mainly amortising loans in prior years, hence effectively 'front-loading' its debt service costs. This is reflected in Oudtshoorn Municipality's debt service profile, which predicts firstly a decline and then a consolidation of the debt position over a 7-year horizon.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of Oudtshoorn Municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft as well as tax provisions as a percentage of funds and reserves.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark Oudtshoorn Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. The liquidity ratio in 2015/16 as 0.1, but have improved the last 3 years and reflects 1.18 as at 30 June 2019.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2015/16 financial year the ratio was 0.1 and as part of the long-term financial planning strategy it must be increased to at least 1 over the MTREF to indicate that the municipality has sufficient financial resources to meet its current obligations, and that was achieved in the past year.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, this include engaging with revenue enhancement services to ensure all revenue remains in the revenue net, as well as strict application of the credit control policy to collect all debt current and debt that has fallen in arrears. The strategy also includes above CPI tariff determinations over the entire MTREF to aide in the financial recovery of the municipality.

2.3.1.5 Creditors Management

- Oudtshoorn Municipality has through the financial recovery ensured that all creditors are strictly paid within the 30-day legal requirement, recovering from a position over the past 2 to 3 years where it was not possible. All creditors are therefore being paid within 30 days of invoice in accordance with the legislative requirement.

2.3.1.6 Other Indicators

- The electricity distribution losses must be managed and was 11.14% as at 30 June 2019 to further improve to be within the best practice norm of between 5% and 7% by the conclusion of the MTREF. The initiatives to ensure that these targets are achieved include managing illegal connections, replacement of meters, minimizing unread meters and revenue enhancement initiatives.
- The water distribution losses will also be carefully managed, it is currently at approximately 16.07% and although within an acceptable norm it must be carefully managed to prevent revenue losses. Losses are managed through a combination of exception reports, meter deviation reports and revenue enhancement initiatives.
- Employee costs + Remuneration Councilors as a percentage of operating revenue is increasing as a ratio to total expenditure. The employee related cost has now reached the upper limit of the norm at 42% and a concerted effort must be made to manage the expenditure downward without impeding on service delivery quality. A general salary increase budgeted for 2020/2021 financial year is budgeted at 6.25% in accordance with the multi-year collective wage agreement. Employee related cost continues to be one of the major costs related to service delivery and will be managed to be within acceptable norms and benchmarks for future budgets. An organization redesign is currently in

procurement process and it will aid in ensuring a right fit organizational structure that is affordable to the community of Oudtshoorn.

- Repairs and maintenance as percentage of operating revenue is increasing when compared to prior year budgets. The cash flow situation is still not ideal and to allow for adequate provision to be made in the 2020/2021 financial year. Repairs and maintenance expenditure need to receive further priority over the MTREF to ensure the management of the asset base.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of Oudtshoorn Municipality. Registered indigents qualify for free basic services as prescribed by the National Treasury and also receives a rebate on assessment rates.

For the 2020/2021 financial year it is estimated that approximately 7000 households will receive free basic services. In terms of the Municipality's indigent policy registered households are entitled to 6kl free water, 50 kwh of electricity, free sanitation and free waste removal services, as well as a discount on their property rates. In addition, thereto indigent consumers will not be held liable for the basic water charge, nor the basic electricity and capacity charges (Ampere charges) The total cost in this regard is estimated to be in excess of R50 Million for the 2020/2021 financial year.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

Note that the number of households in Eskom distribution areas that receive free services and the cost of these services are not considered in the table referred to above.

2.3.3 Providing clean water and managing waste water

Oudtshoorn Municipality is the Water Services Authority for the entire municipal area in terms of the Water Services Act, 1997 and also acts as water services provider.

The Department of Water Affairs conducts an annual performance rating of water treatment works, presenting a Blue Drop or Green Drop award respectively to potable water treatment works and waste water treatment works that meet certain criteria of excellence.

Oudtshoorn Municipality needs to strive towards meeting blue Drop status in 2020/2021, indicating that Oudtshoorn Municipality's drinking water is of exceptional quality. It must however be emphasized that Oudtshoorn municipality does not have a water purification plant and is therefore faced with many challenges in respect of water quality as a result of environmental and climate change issues. It is estimated that a water purification plant for the area of jurisdiction will cost no less than R120 million, funds that the municipality currently does not have and will not be able to raise in the short term.

Oudtshoorn also needs to ensure that waste water complies with minimum standards of treatment and purification in order to ensure that no harm comes to the environment when treated waste water is disposed of.

The following is briefly the main challenges facing Oudtshoorn Municipality with regards to water and waste water management.

- The infrastructure at the waste water treatment works is old and require large capital investment to ensure that purification standards are continuously met;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Water sources are scarce and bulk water augmentation is critical for the immediate future especially considering the current drought situation.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget, subject to funding availability;
- Upgrading of the Waste Water treatment works from national government
- Asbestos pipe replacement project financed from national government
- The filling of vacancies will be prioritized to ensure adequately skilled staff are appointed for service delivery.
- The installation of a bulk water pipeline from the Blossoms area is currently in process to ensure the security of water provision in the drought and as a long-term supplementation scheme for future water security.

2.3.4 OVERVIEW OF BUDGET RELATED POLICIES

The Oudtshoorn Municipality's budgeting process is guided and governed by relevant legislation, strategies and related policies. The purpose of policies is to ensure that there are controls and procedures in place that are not in contravention with the Acts. The policies harmonise with the environment and regulate the municipality. Below is reference to the budget related policies that have been reviewed during the course of 2019/2020 for implementation on 1 July 2020 for the 2020/2021 financial year in accordance with MBRR regulation 7. All budget policies will be available for scrutiny and input with the budget documentation.

2.3.5 Budget policy

The objective of the budget policy is to set the principles to which the municipality will follow with the preparation of each medium-term revenue and expenditure framework budget, the responsibilities of the Executive Mayor, the Accounting Officer, the Chief Financial Officer and other senior managers in compiling the budget. To further establish and maintain procedures to ensure adherence to Oudtshoorn Municipality's IDP review and budget processes and to provide the Oudtshoorn Municipality with the necessary work documentation and procedures to ensure that the Municipality is in a position to compile, implement, control and report on the annual budget of the Municipality as prescribed by the best practices, act and internal workflows.

The Chief Financial Officer has a statutory duty to ensure that adequate policies and procedures are in place to ensure an effective system of financial control. A municipality's budget policy and its underlying administrative process within the system of delegations is one of these controls. It is the responsibility of each Head of Department and other senior management with financial responsibilities in charge of departments or sections to which funds are allocated, to plan and conduct assigned operations so as not to expend more funds than budgeted and to ensure that allocated funds are utilized economically, effectively and efficiently and for approved purpose(s).

The proposed policy revisions are as follows:

Added a sentence to paragraph 5.1.2. Financing: Own Financing Sources (Basic Capital Budget) The municipality may also finance own funded projects from other cash backed reserves not committed for other intended purposes

2.3.6 Credit control and debt collection procedures/policies

To ensure council collects all debts in respect of rates, service fees and to provide a framework for credit control and debt collection procedures and mechanisms. This strategy further seeks to explore other sources of revenue to enhance the financial muscle of the municipality.

While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

To ensure council collects all debts in respect of rates, service fees and to provide a framework for credit control and debt collection procedures and mechanisms. This strategy further seeks to explore other sources of revenue to enhance the financial muscle of the municipality.

While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate.

The proposed policy revisions are as follows:

Section 6.7, Paragraph 6.7.2, The municipality reserves the right to restrict electricity purchases on prepaid meter if consumer default on temporary agreement.

Section 6.7, Paragraph 6.7.2, The municipality will not approve a consumer's building plan, if a consumer is in arrears with its municipal account.

CREDIT CONTROL DEBT COLLECTION BY-LAW:

Section 10, the following amended procedure for collection of arrears should be included:

For consumers earning between R0 – R3 500, 00 per month or less, the following is to apply: - (Consumers refer to the entire household, based on gross income)

- ✓ Consumers in arrears for 2 months and more must pay a minimum amount equal to 10% of their arrears with the remaining 90% to be settled in 36 equal instalments commencing from the month following the month in which the initial 10% payment was made. The reconnection fee is also to be paid over and above the 10% payment in order for the service to be reinstated.

For consumers earning between R3 501.00 – R5 500, 00 per month or less, the following is to apply: - (Consumers refer to the entire household, based on gross income)

- ✓ Consumers in arrears for 2 months and more must pay a minimum payment equal to 20% of their arrears with the remaining 80% to be settled in 36 equal monthly instalments commencing from the month following the month in which the initial 20% payment was made. The reconnection fee is also to be paid over and above the 20% payment in order for the service to be reinstated.

For consumers earning between R5 501.00 – R7 500, 00 per month or less, the following is to apply: - (Consumers refer to the entire household, based on gross income)

- ✓ Consumers in arrears for 2 months and more must pay a minimum payment equal to 25% of their arrears with the remaining 75% to be settled in 24 equal monthly instalments commencing from the month following the month in which the initial 25% payment was made. The reconnection fee is also to be paid over and above the 25% payment in order for the service to be reinstated.

For consumers earning between R7 501.00 – R12 500, 00 per month or less, the following is to apply: - (Consumers refer to the entire household, based on gross income)

- ✓ Consumers in arrears for 2 months and more must pay a minimum payment equal to 35% of their arrears with the remaining 60% to be settled in 18 equal monthly instalments commencing from the month following the month in which the initial 35% payment was made. The reconnection fee is also to be paid over and above the 35% payment in order for the service to be reinstated.

For consumers earning between R12 501.00 – R18 001, 00 per month or less, the following is to apply: - (Consumers refer to the entire household, based on gross income)

- ✓ Consumers in arrears for 2 months and more must pay a minimum amount equal to 45% of their arrears with the remaining 55% to be settled in 18 equal monthly instalments commencing from the month following the month in which the initial 45% payment was made. The reconnection fee is also to be paid over and above the 45% payment in order for the service to be reinstated.

For consumers earning between R 18 001 per month and above, the following is to apply: - (Consumers refer to the entire household, based on gross income)

- ✓ Consumers in arrears for 2 months and more must pay a minimum amount equal to 50% of their arrears with the remaining 50% to be settled in 12 equal monthly instalments commencing from the month following the month in which the initial 50% payment was made. The reconnection fee is also to be paid over and above the 50% payment in order for the service to be reinstated.
- ✓ The reconnection fee is also to be paid over and above 50% payment in order for the service to be reinstated.

Section 14.1, New services connections should include the following;

- i. In terms of Government Owned buildings, such as SAPD, SANF or Provincial Government housing, the municipality will have the discretion to open a new account in the name of the tenant. The applicable Government bodies will be liable to ensure that monthly services are paid by due date as well as any outstanding amounts on such tenant account if the tenant moved out of the premises

2.3.7 Asset management policy

Asset Management promotes efficient and effective management, monitoring and control of assets and the objectives of having an Asset Management Policy are:

- i. To ensure accurate recording of asset information and accurate recording of asset movements.
- ii. To ensure compliance with Council's Insurance Policy, Supply Chain Management Policy and Payment Procedure thereby enforcing the effective and efficient control, utilisation, and optimisation of usage, safeguarding and management of municipal assets.
- iii. To ensure that all responsible parties are aware of their roles and responsibilities regarding the assets of the municipality and to prescribe the accounting treatment of assets acquired and used in accordance with the applicable accounting standards approved by National Treasury.

The policy was amended to state the economic useful lives of assets in accordance with the current accounting policy

2.3.8 Long term financial planning policy

The purpose of this long-term financial plan policy is to set out details of the financial issues that need to be addressed in a financial year. It is meant to be a tool to highlight any financial shortcomings.

No amendments to the policy are proposed.

2.3.9 Indigent policy

The policy serves to regulate the subsidization of indigent customers in respect of the free allocation of electricity, water, refuse and sanitation services during a budget year. It also allows for limited subsidization in respect of assessment rates up to a certain valuation.

The following amendments are proposed:

Section 5, Qualification criteria amend to R 3 800 per month as per twice the old age pension.

Section 5, Paragraph 5.1.2.3. Where the consumption exceeds 6kl per month the municipality shall be entitled to restrict the water to the property, or to replace the conventional water meter with a prepaid smart water meter.

Section 5, Paragraph 5.1.2.14. The cost of the unforeseen property expenditure will be reviewed by the Manager Revenue Management and authorized for payment by the Chief Financial Officer.

General - If an Old Age/Children/Crèches/ Hostels application is approved as per clause such old age home qualifies for a write-off on all outstanding debt if such debt on the municipal account exist.

Section 5, Paragraph 5.7.3, A pensioner/disable person renting/leasing a premise qualifies for the for the first 6kl of water, water basic and 50KwH electricity per month, subject such pensioner meets the qualifying criteria as per clause 5.71.

Section 6, Paragraph 6.3, The application process will commence from 01 March to 30 June every two (2) years, or 24 months.

Section 6, Paragraph 6.15, The municipality reserves the right to replace current electricity and water conventional meter with a prepaid meter free of charge, if an indigent does not pay his consumption in access of the 6kl subsidies.

Section 9, Paragraph 9.12, Newly build low cost housing where the household qualifies for the indigent subsidy is exempted from paying the required water deposit charge.

2.3.10 Property Rates policy

The Local Government Municipal Property Rates Act (No. 6 of 2004) and section 62(1) of the Municipal Finance Management Act (No 56 of 2003) requires municipalities to develop, adopt and implement a rates policy on the levying of rates on rateable properties in the municipality.

The municipality needs a reliable source of revenue to provide basic services and perform its functions. Property rates are the most important source of general revenue for the municipality. Revenue from property rates is used to fund services that benefit the community as a whole as opposed to individual households. These include installing and maintaining streets, roads, sidewalks, lighting, and storm drainage facilities; and building and operating clinics, parks, recreational facilities and cemeteries. Property rates revenue is also used to fund municipal administration, such as computer equipment and stationery, and costs of governance, such as council and community meetings, which facilitate community participation on issues of Integrated Development Plans (IDPs) and municipal budgets.

The following amendments are proposed to this policy.

Section 8.6, Paragraphs 8.6.1 All refunds, including service deposits, will be paid to the transferring attorney after registration of the property

Section 8.6, Paragraphs 8.6.2 Refunds will only be processed on applications received through Rates Clearance System.

Section 8.6, Paragraphs 8.6.3 Refunds will be allocated to arrear service debt of tenants and only the balance will be refunded.

Section 8.6, Paragraphs 8.6.4 Refunds will not be issued if the services have not been connected on the new owner's name and the deed confirming new ownership is not received.

Section 8.6, Paragraphs 8.6.5 Refunds will be processed when and if the transferring attorney's banking details on the creditor's form has been submitted, with a copy of the responsible person's ID document. The attorneys must supply the municipality with their contact person's e-mail address. Without the information no refund can be processed.

Section 8.6, Paragraphs 8.6.6 Refunds will be issued once a month per attorney firm.

Section 15, Paragraphs (e) The following Public Benefit Organizations may apply for the special rate tariff, which is 25% of the residential tariff, on property rates subject to producing a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act. 1962 (No 58 of 1962):

Section 16, Rebates - Council may annually during the budget process, by means of an approved sliding scale based on monthly house hold income, grant qualifying owners a rebate on their rates payable

- (i) Pensioners will receive a 35% discount on their property rates, subject to application as per stipulation in 16.2 of this policy.
- (ii) Indigent households will receive a rebate on their rates of a further R 55,000 on the valuation of their property as determined by the municipal Council. This is in addition to the R15,000 impermissible rates, section 17(1)(a) of the MPRA. The calculation of the rebate will be as follow: Valuation of R 55,000 multiplied by the applicable approved property rates tariff for residential categories of consumers as annually approved by Council.

Section 16.2, Categories of owners – Pensioners and disable persons;

Pensioners and disable persons may apply for a rebate on property rates but the qualifying requirements are that the owner must:

- e. If where the owner is unable to occupy the property due to no fault of his/her own, the spouse or minor children may satisfy the occupancy requirement.
- g. Pensioners and disable persons that rent properties will only be subsidies on the first 6kl of water, the basic water charged and 50KwH of electricity per month.

2.3.11 Supply Chain Management policy

The proposed revisions are as follows:

Page 42 paragraph 32.2 was amended and number (c) was added:

- (c) Where procurement in terms of regulation 32 is considered the implementation in terms of circular 96 of National Treasury.

Page 57 paragraph 53 Local content was amended to include point number 8:

Where bidders did not fully complete and signed the annexure C for local content with the submission of the bid at closing date the municipality will request from bidders to complete the annexure C and submit it within 3 working days, failure to submit the completed and signed documents within the specified days the bid will be rendered non – responsive.

2.3.12 Grants in Aid policy

This policy aims to provide the framework for grants-in-aid to non-governmental organisations, community-based organisations or non-profit organisations and bodies that are used by government as an agency to serve the poor, marginalised or otherwise vulnerable as prescribed in sections 12 and 67 of the Municipal Finance Management Act (No. 56 of 2003)

No amendments to the policy is proposed

2.3.13 Borrowing policy

The purpose of the policy is to govern the taking up of short-term or long-term debt according to the legislative framework.

No amendments to the policy are proposed

2.3.14 Virement policy

The objective of the Virement Policy is to regulate the shifting of funds between votes and sub-votes of an approved budget.

The policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and Oudtshoorn Municipality's system of delegations.

The proposed revisions are as follows:

Deletion of first bullet point in paragraph 6.3.4.3 No virements are allowed to and from the following cost elements or provisions: Capital Expenditure Related Elements

Wording change in paragraph 6.3.4.4 virements are to be processed via internal virement form, not an internal order.

6.3.4.4 Repairs and Maintenance (primary) virements are to be processed via internal virement form.

Wording of delegations changed, so that it details the approval resides with the Accounting Officer and Chief Financial Officer in paragraph 6.3.5.2 and 6.3.5.3 Virements will only be considered if motivated by the line managers and must be approved by the Chief Financial Officer and Accounting Officer

Wording of delegations changed, and the Accounting Officer added. in paragraph 8.2 Completed virement documentation is to be affected by the Chief Financial Officer and Accounting Officer.

2.3.15 Employee Assistance Policy

The objective of the policy is to encourage employees to engage in or to continue studies in order to develop skills and the level of academic achievement to improve the quality of life, increase the levels of investment in education, encourage Managers to facilitate active learning in workplace, provide employees with opportunities to acquire new skills and knowledge, encourage employees to participate in training programme, improve the advancement of previously disadvantaged employees, meet the objective determined by career paths, learner ship contracts and progression policies and establish a pool of suitable candidates in order to support employment equity policy and planning.

No amendments to the policy are proposed

2.3.16 Cash Management and Investment policy

The intention of the investment policy is to ensure investments are made in an efficient and effective manner which generates the best returns for the municipality while considering preservation and safety of the principal and appropriate liquidity.

No amendments to the policy are proposed

2.3.17 Tariff policy

The General Financial Management functions covered in Section 62 of the Municipal Finance Management Act (No 56 of 2003) includes the implementation of a Tariff Policy. Specific legislation applicable to each service has been taken into consideration when the Policy was drafted.

The following amendments to the policy are proposed.

The only amendments to the tariff policy are to include the following:

Section 9.2.2, Paragraph 9.2.2.1, The first 6 kilolitre of water will be Free for Indigent and Pensioners applications. The basic charge will not be applicable on Prepaid Water Meter Consumers.

Section 9.2.2, Paragraph 9.2.2.2, A monthly rental, based on a fixed amount according to the meter capacity, is applicable to all conventional water meters excluding Prepaid water meters.

Section 9.2.1.4, Metered services will be billed on a day – day billing methodology

Section 9.2.1.5, Miscellaneous - An availability fee, except in cases where the site has been declared inhabitable by the municipality, will be charged on properties not connected to the electricity network, should it be available to that property. This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs in respect of such properties. If the owner connects the service with the intention to improve the property, the debit will be adjusted pro-rata from the date of the connection. Availability charges on vacant stands must be charged annually.

Section 9.2.1.6, General

- Prepaid Electricity tokens must be inserted into the meter within three months after the purchase date as the tokens can expire after three months and no refund or replacement of tokens will be allowed.
- For each additional residential unit on a single residential property (excluding residential properties with a total value of less than, an amount determined by council, for indigent households), (whether or not a second electricity meter is installed and even if there is only one water meter), a basic fee for water, the applicable sewerage as well as refuse removal fee, will be payable for each additional unit;
- For each additional Electricity meter installed or unit approved on the building plan on a business property, a basic fee for water and the relevant sewerage and refuse removal tariff will be levied on the account;
- The developer or registered owner is at all times responsible for payment of services on a property;
- At NO stage may an electricity meter be moved from one premises to another by anyone;
- The owner/occupier is at all times responsible for the maintenance and safekeeping of the meter;
- If a meter cannot be read by the meter reader due to no access or other obstructions, the Municipality has the right to install a pre-paid meter at the expense of the owner;
- Installation of a pre-paid meter is free of charge for indigent and subsidized households.
- Cancellation of prepaid electricity tokens with a value of R500 or more must first be inspected before cancellation of the token.

Where prepaid tokens were purchased on an incorrect meter number, no refunds of transfers will be allowed, except in cases where management decided otherwise. In these cases, the token can only be replaced after an inspection has been done to ensure the token has not already been

used. The inspection can only be done after a written request has been received and the prescribed call-out fee has been paid. If during the inspection it is found that it cannot without a doubt be determined whether the token has already been used, the token cannot be replaced and the call-out fee will be forfeited.

Section 9.2.2. Water – General

Water is supplied to end-users by means of the following specialised infrastructure:

- (a) Retaining and storage dams;
- (b) Supply lines;
- (c) Water purification plants;
- (d) Water reticulation networks; and
- (e) Metered connections to the properties of consumers.

The variable cost of supply is, however, sensitive to prices of essential materials such as chlorine, which is used in the purification processes. Apart from normal price increases, the price is also influenced by exchange rates. The supply of water is regulated by the Water Services Act (Act no.108 of 1997), but without a centralised regulatory body such as the NER. Certain minimum standards as well as guidelines for tariffs are contained in the Act.

Many aspects pertaining to water supply is influenced by the same factors as that of electricity supply. Due to this, only those factors unique to water supply and the accompanying tariff structure are discussed. Water is a scarce commodity with little alternatives available (contrary to electricity). Tariff structures should therefore be aimed at the reduction of consumption. For this reason, a declining block tariff structure is not an option.

Water is bought at a one-part tariff expressed in Rand per kilolitre. For this reason, it is found that water tariff structures for end-users follow the same trend. In order to cut consumption, an inclining block rate tariff structure with a basic fee is applied in Oudtshoorn. The first block rate represents the lifeline volume of 6 kl per month (Calculated on day-to-day billing), which is supplied at no cost to indigent and Pensions household. Losses incurred in this tariff category are recouped by contributions from the higher tariff categories, conforming to the principle of cross subsidisation. Council however reserves the right to decrease or discontinue the free 6kl per month in the case of a drought. It is the consumer's responsibility to ensure that the meter is readable and accessible

for meter readers. If not the meter maybe replace with a prepaid-water meter at the expense of the owner/occupier.

Section 9.2.2.4, Water Tariffs during a Drought - When the Raubenheimer Dam water supply drops to below a 50%, as determined by council during the annual budget, the water tariffs will increase. The tariffs will be included in the annual tariff list.

Section 9.2.2.5, Leakages;

If the leakage is on the consumer's side of the meter, the consumer will be responsible for the payment of all water supplied to the property. The consumer has the responsibility to control and monitor his/her water consumption.

(a) A consumer may qualify for a reduction in levy as determined by Council on his/her account in the event of a water leakage, if:

- the leakage was underground or under the foundation of the building and not easily detectable; and
- the leakage was repaired within 48 hours after detection/ notification by the municipality; and
- the consumer has not applied for discount on water leakages within the previous 12 months; and
- an authentic certificate issued by a registered plumber must reach the Municipality within 10 days after completion of repairs done with respect to a water leakage and must contain the following:
 - the date of the invoice and repair work as well as the receipt; and
 - confirmation that surface leakage was not visible; or

v) If repairs were done by the consumer themselves, his / her sworn affidavit must reach the municipality within 10 days after completion of repairs done with respect to a water leak and must contain the following:

- the date of the invoice and repair work as well as the receipt and/or date stamped photos proving that the leak was underground and repaired by themselves; and
- that the reading has normalised; and
- Confirmation that surface leakage was not visible.

(b) Once the Accounting Officer declares that, the dam volume has dropped to below 30%, no water charges in respect of water losses because of leakages will not be reduced;

(c) Water lost due to the meter being stolen, defective irrigation, broken geyser, leaking toilet or leaking tap cannot be considered for reduction;

(d) Council will only allow a reduction up to the difference between the levied amount of the leakage and the recalculated amount calculated as follows:

- The consumer's most recent fair 6 months' average consumption calculated on the normal tariff tiers; plus
- The usage above the average consumption calculated on the highest tariff tier of his/her average consumption.

Section 9.2.3.3, General

- ✓ Tariffs are based on units of refuse removal. For household purpose a flat tariff is charged for the refuse removed once a week and for commercial purposes one unit is defined as one wheelie bin or 5 bags and the rate is determined by the number of removals per week.
- ✓ For each additional residential unit, an additional domestic refuse unit removal will be levied.
- ✓ For each sectional title units a residential refuse charge will be levied on the separate accounts of the register owner.
- ✓ In the event of multiple use properties refuse removal will be levied on the category of the dominant use of the property.

Section 9.3, General Tariffs

- (a) For each sectional title units a residential sewerage charge will be levied on the separate accounts of the register owner.
- (b) In the event of multiple use properties sewerage will be levied on the actual number of toilets in different parts of the premises

2.3.18 Unauthorised, Irregular, Fruitless and Wasteful Expenditure policy

The aim of this policy is to prevent, identify, and investigate and to respond appropriately in accordance with the law and address instances of unauthorised, irregular or fruitless and wasteful expenditure conclusively.

There are no amendments proposed on this policy.

2.3.19 Funding and reserves policy

The funding and reserves policy are aimed to ensure that the municipality has sufficient and cost-effective funding in order to achieve its objectives through the implementation of its operating and capital budgets.

Proposed amendments to the policy as follow:

Annexure A – deletion of line relating to depreciation reserve, this is not compulsory in terms of GRAP.

2.3.20 Petty Cash Policy

The petty cash policy sets out the process as well as the requirements for petty cash purchases, a cash limit per transaction is set at R 300.00

No amendments are proposed

2.3.21 Infrastructure Procurement Policy

The National Treasury in 2004 issued the Supply Chain Management Regulation which gave rise to the supply chain management model policy for adoption by municipalities and municipal entities in terms of section 111 of the Municipal Finance Management Act, No 56 of 2003. The model policy prescribes the minimum requirements and principles which municipalities and municipal entities must adhere to for their supply chain management systems. The above-mentioned policy was issued principally for the acquisition of goods and services.

In October 2015 via NT circular 77, the National Treasury issued a Supply Chain Management Model Policy for Infrastructure Procurement and Delivery Management, in terms of Section 168 of the Municipal Finance Management Act of 2003 (Act 56 of 2003) in reference to SCM Regulation 3(2), this model policy prescribes the standards and gateways system requirements and principles which municipalities and municipal entities must adhere to when procuring infrastructure related services linking to CIDB and ISO standards and ethos, therefore the model policy for infrastructure Delivery and procurement serves as a conduit for the alignment between CIDB Act and supply chain management systems.

No amendments to this policy are proposed.

2.3.22 Cellular telephone Policy

The cellular telephone policy regulated the allowances payable to staff and councilors for the use of privately owned or council cellular telephones for official purposes. It sets out the annual limitations as well as rules regarding the use of cellular telephones for official purposes.

No amendments to the policy are proposed.

2.3.23 Travelling and Subsistence Policy

The travelling and subsistence policy determine the rate for travelling, accommodation, subsistence, incidental expenses allowable when it is required of an official to travel for official purposes on behalf of the municipality.

No amendments to the policy are proposed.

2.3.24 Overtime Policy

The overtime policy regulates the circumstances for the working of overtime, the authorization, approval as well as the basis of remuneration. Being such a large component of the employee related cost, it is necessary that the overtime be regulated adequately.

No amendment to the policy is proposed.

2.3.25 Remuneration Policy

This policy serves to regulate the payment of salaries and benefits to staff members of the municipality and sets out the principles to be followed when determining salaries upon recruitment, promotions.

No amendments to the policy are proposed.

2.3.26 Creditors, councillors and staff payment policy

This policy regulates the payment from the municipal bank account to Creditors, Staff and councilors, it sets out procedures, requirements, and cut-off dates for submissions and processing of payments to support cash flow management principles and operational efficiency.

No amendments to the policy are proposed

2.4 Overview of budget assumptions

2.4.1 External factors

It is expected that the economic recovery will be slow and prolonged; the anticipated economic growth percentage for 2020 is 0.9% rising to 1.3% in 2021 and 1.6% for 2022.

Oudtshoorn municipality still finds itself in a position where economic growth is stagnant and the cash flow is under pressure resulting in limited financial resources being available for service delivery, this is also evident in the effort that needs to be made for the recovery of debt owed to the municipality. It is also therefore necessary to carefully evaluate spending decisions and to ensure value for money in all procurement processes.

2.4.2 General inflation outlook and its impact on the municipal activities

There are many factors that have been taken into consideration in the compilation of the 2020/2021 MTREF the list hereunder represents a few of these:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on the municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 39% of total operating expenditure in the 2020/2021 MTREF and therefore this increase above inflation places additional upward pressure on the expenditure budget.
- The increase in taxed and the continuing reduction in disposable household income

2.4.3 Credit rating outlook

The Municipality has not had a credit rating done and considering the current financial position it is not advisable to have it performed.

2.4.4 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. Oudtshoorn Municipality intends to take up a loan during the 2020/2021 budget year to fund critical infrastructure replacement and refurbishment projects as alluded to in the report above.

Interest rates for investment purposes remains low and the average interest rate on investment is anticipated to average between 6% and 8% for the 2020/2021 financial year with little upward movement anticipated for the remainder of the MTREF. The municipality currently has limited funds available for investment purposes other than ad hoc call account deposits representing unspent grants as well as a limited operating reserve.

2.4.5 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate higher than CPI over the MTREF to aid in the financial recovery of the municipality. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term, it is however anticipated that interest rates may decline in the medium term providing some form of relief to cash strapped consumers.

The rate of revenue collection is currently expressed as a percentage of annual billings. Cash flow is assumed to be 95% of billing, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

It must be pointed out that as a result of the challenging economic circumstances as well as past deficiencies in the application of the credit control and debt collection policy coupled to the delay in the establishment of a panel of legal experts a write-off of debt that has become irrecoverable will once again be inevitable during the course of the 2019/2020 financial year and will flow over to the 2020/2021 financial period.

2.4.6 Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of Oudtshoorn Municipality, household formation growth rate and the poor household change rate. These factors considered do not reflect an environment conducive to growth and economic stimulus is of essence to ensure the financial progression of the citizenry of Oudtshoorn and the municipality alike.

The compilation of the new general valuation roll for the period 2017 to 2021 has been completed and the general valuation roll is effective from 1 July 2017. The impact of the growth in the rates base was softened by the reduction of the assessment rates tariffs as indicated in the executive summary. The municipality is currently in process to complete third supplementary valuation roll and the result thereof has once again shown that there is little economic growth that is adding to the revenue base of the municipality. The majority of buildings completed relate to RDP houses which is not adding to the rates base, but placing a subsidy burden on the municipality as Local economic development is stagnant and catalytic development initiatives are required to grow the revenue base.

2.4.7 Salary increases

A collective agreement determining salaries and wage increases has been finalised for the next 3 financial years. For the purpose of calculation of salary related expenditure for the 2020/2021 financial year an across the board salary increase of 6.25% was used in accordance with the collective agreement. The 2020/21 salary budget is subject to a physical verification of all employees currently paid, that might differ to the organogram budget that was currently performed. Updates will then be incorporated into the final budget if any.

The organizational redesign will determine the way forward and strict control over salary and related expenses needs to be done to curb escalating staff cost. It must once again be

emphasized that the current ratio of staff cost to total expenditure is not sustainable and needs to be reduced over the MTREF.

2.4.8 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and, in this regard, various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs through labor intensive programs and projects as well as full participation in the EPWP;
- Enhancing education and skills development;
- Improving quality of life of all residents;
- Protection of the poor through appropriate subsidization and tariff setting
- Rural development and agriculture; and
- Creating a conducive environment for economic development

2.4.9 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 95% will be achieved on operating expenditure and at least 85% on the capital programme for the 2020/2021 MTREF of which performance has been factored into the cash flow budget. As the municipality needs to recover financially austerity measures are still applied to ensure savings on all categories of expenditure. The spending on the operating budget will be dependent on the realising of the revenue as per the revenue and cash flow estimates for the MTREF.

2.5 Overview of budget funding

Funding of the Budget

Section 18(1) of the MFMA determines that an annual budget can only be funded from:

- Realistically expected revenue to be collected;
- Cash-backed accumulated funds of preceding years' surpluses not earmarked for other purposes; and
- Borrowed funds, but only for the capital budget referred to in Section 17.

Full achievement of this requirement effectively entails that a Council 'balances' its budget by ensuring that the budgeted outflow balances with a combination of planned inflow.

Credible Budget

A credible budget, among other things, is a budget, which:

- Only funds activities which are in line with the revised IDP and vice versa and which ensure that the IDP is realistically achievable while taking account of the financial restrictions of the municipality;

- Is achievable in respect of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are in line with current and previous performance and that are supported by documented evidence of future assumptions;
- Does not compromise the financial viability of the municipality (ensures that the financial position is contained within generally accepted prudent limits and that obligations can be met in the short, medium and long term); and
- Provides managers with suitable levels of delegation to enable them to fulfill their financial and managerial responsibilities.

A budget sets out certain service delivery levels and accompanying financial implications. Consequently, the community must realistically expect to receive these promised service levels and to understand the accompanying financial implications. High under spending due to under collection of revenue or poor planning is a clear example of a budget that is not credible and realistic.

Furthermore, budgets tabled as early as 90 days before the start of the budget year, must remain credible and fairly close to the final approved budget.

Long term financial planning

The long-term financial plan has been revised and is updated with current financial and statistical information for the MTREF. It clearly sets out funding needs as well as economic, demographic and socio economic as well as other factors that may influence the financial performance of the municipality over the next 10 to 15 years. Borrowing as a funding option is required as a result of the fact that internally generated funds are insufficient to cover the cost of ailing infrastructure that needs to be replaced or repaired on an urgent basis.

The municipality needs to plan for cash-backed provisions and reserves and is barely able to do so over the MTREF. The current portion of long-term employee benefits consisting of medical aid contributions for retired personnel and for the payment of long service bonuses should be cash backed and was included in table A8, but no funding is available for reserves. The fact that salary related expenditure has reached the upper limits of the acceptable norm for this ratio is very concerning as there is virtually no room for growth in this category of expenditure over the MTREF and therefore a concerted effort will be made to rationalize and reduce this expenditure going forward.

The budget is fully compliant with GRAP standards and have also been compiled in accordance with mSCOA (Municipal Standard Chart of Accounts). This will assist the basis for sound financial practices and compliance in terms of the MFMA, mSCOA and GRAP.

Sources of funding

Interest earned from investments is recorded in the operating revenue budget. The interest earned is expected to add little to revenue over the MTREF as all funds generated through investment are necessary to enhance operations and to fund capital acquisitions from own revenue as well as to meet current operational commitments.

Contributions

The Municipality receives augmentation fees which serve as bulk service levies from new developers to provide infrastructure and other works as part of the conditions set with the granting process. This revenue source is not very predictable but with the prevailing economic climate it is expected that new developments will not follow past trends and these revenue streams are very dependent on economic recovery.

2.5.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 32 Breakdown of the operating revenue over the medium-term

| Description | 2020/21 Medium Term Revenue & Expenditure Framework | | | | |
|----------------------------------------------------------------------|-----------------------------------------------------|-------------|---------------------------|-------------|---------------------------|
| | Budget Year 2020/21 | Growth % | Budget Year +1 2021/22 | Growth % | Budget Year +2 2022/23 |
| Revenue By Source | | | | | |
| Property rates | 98 792 878 | 6.01 | 104 731 501 | 6.01 | 111 026 441 |
| Service charges - electricity revenue | 263 538 128 | 4.22 | 274 657 136 | 8.56 | 298 177 186 |
| Service charges - water revenue | 68 361 366 | 9.04 | 74 544 419 | 8.98 | 81 235 361 |
| Service charges - sanitation revenue | 37 529 567 | 8.96 | 40 892 938 | 8.91 | 44 534 532 |
| Service charges - refuse revenue | 20 895 198 | 11.98 | 23 397 786 | 11.99 | 26 202 686 |
| Service charges - other | - | | - | | - |
| Rental of facilities and equipment | 2 872 462 | 6.44 | 3 057 365 | 5.92 | 3 238 294 |
| Interest earned - external investments | 10 900 615 | 6.50 | 11 609 115 | 6.50 | 12 363 665 |
| Interest earned - outstanding debtors | 7 770 992 | 4.78 | 8 142 792 | 7.69 | 8 769 310 |
| Dividends received | - | | - | | - |
| Fines, penalties and forfeits | 7 442 827 | 6.01 | 7 890 442 | 6.01 | 8 364 792 |
| Licences and permits | 371 120 | | 393 387 | | 416 990 |
| Agency services | 4 217 728 | 6.00 | 4 470 792 | 6.00 | 4 739 040 |
| Transfers and subsidies | 116 410 788 | 9.90 | 127 941 125 | (0.06) | 127 870 125 |
| Other revenue | 25 269 418 | 2.75 | 25 963 459 | 4.25 | 27 066 412 |
| Total Revenue (excluding capital transfers and contributions) | 664 373 085 | 6.52 | 707 692 256 | 6.54 | 754 004 832 |

The following graph is a breakdown of the operational revenue per main category for the 2020/2021 financial year.

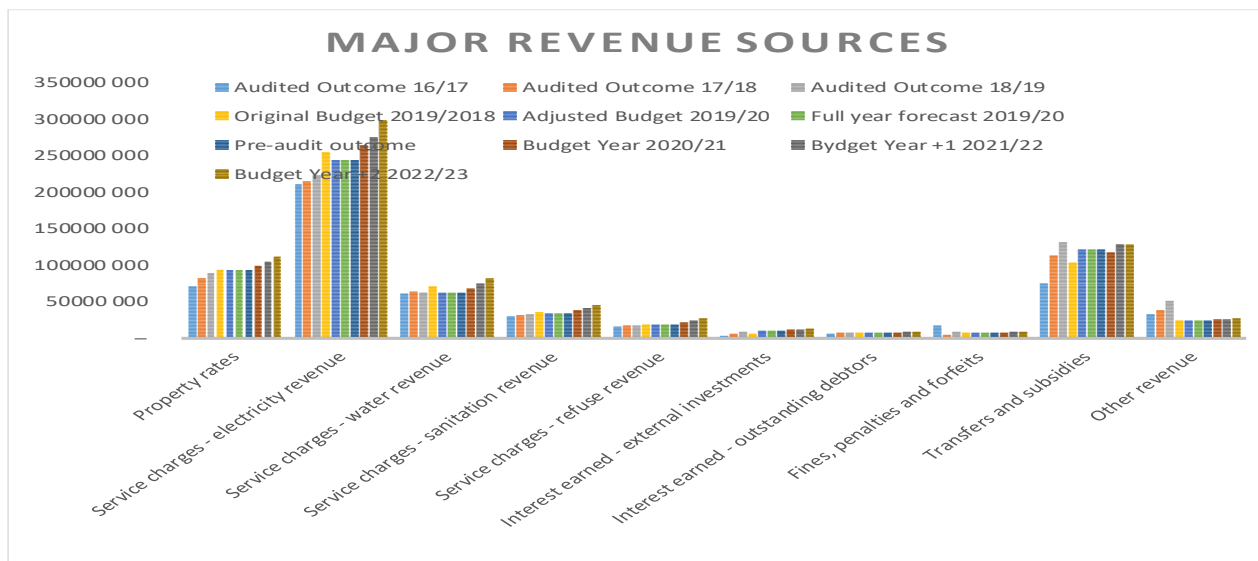


Figure 7 Breakdown of operating revenue over the 2020/2021 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. Oudtshoorn Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc.) are other forms of revenue.

The revenue strategy is a function of key components such as:

- Growth in Oudtshoorn Municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95% annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and Property rates amendment Act, 2015
- And the ability to extend new services and obtain cost recovery levels.
- Curbing of excessive usage subsidized allocations in respect of indigent households

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The current financial position is still a factor contributing to the tariff determinations and the municipality has no alternative but to increase the service tariffs in excess of CPI for certain services as a result of cost reflective tariff studies that were performed in previous financial years, coupled to the need to move towards cost reflective tariffs where tariffs were insufficient to ensure the financial viability of services. The need for infrastructure repairs, refurbishment and renewals

are also placing an untenable operational burden on the municipal resources and requires higher than inflation tariff increases to cover the cost of ailing and failing infrastructure.

The financial recovery is complete in respect of daily liquidity and associated cash flow activities, yet incomplete in respect of the building of a capital replacement reserve and ensuring that current provisions and reserves are adequately cash backed to prevent future cash flow difficulties.

The proposed tariff increases for the 2020/2021 MTREF on the different revenue categories are reflected in the table below, the outer years of the MTREF reflect the tariff increases as per the National Treasury Growth parameters for the outer years and do not necessarily reflect the increases to be determined for the outer years:

Table 33 Proposed tariff increases over the medium-term

| Revenue Category | Budget Year 2019/2020 | Proposed Budget Year 2020/2021 | Proposed Budget Year 2021/2022 |
|------------------|--------------------------|-----------------------------------|-----------------------------------|
| Rates | 6.00% | 6.00% | 6.00% |
| Refuse | 12.00% | 12.00% | 12.00% |
| Sanitation | 9.0% | 9.0% | 9.0% |
| Water | 5.7-10.5 | 5.7-10.5 | 5.7-10.5 |
| Electricity | 6.90% | NERSA | NERSA |

The tables below provide detail investment information and investment particulars by maturity.

Table 34 MBRR SA15 – Detail Investment Information

| Choose name from list - Supporting Table SA15 Investment particulars by type | | | | | | | | | | |
|------------------------------------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| Investment type | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | | | | | | | | | | |
| Parent municipality | | | | | | | | | | |
| Securities - National Government | | | | | | | | | | |
| Listed Corporate Bonds | | | | | | | | | | |
| Deposits - Bank | | 23 518 | 63 510 | 98 030 | 40 000 | 40 000 | 40 000 | 80 000 | 80 000 | 80 000 |
| Deposits - Public Investment Commissioners | | | | | | | | | | |
| Deposits - Corporation for Public Deposits | | | | | | | | | | |
| Bankers Acceptance Certificates | | | | | | | | | | |
| Negotiable Certificates of Deposit - Banks | | | | | | | | | | |
| Guaranteed Endowment Policies (sinking) | | | | | | | | | | |
| Repurchase Agreements - Banks | | | | | | | | | | |
| Municipal Bonds | | | | | | | | | | |
| Municipality sub-total | 1 | 23 518 | 63 510 | 98 030 | 40 000 | 40 000 | 40 000 | 80 000 | 80 000 | 80 000 |

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity. The MTREF therefore provides for a break-even upon the conclusion of the MTREF. Surpluses needs to be generated through a combination of revenue enhancement and savings initiatives. Any surplus generated is intended to partly fund capital expenditure from own sources as well as ensure adequate cash backing of reserves and funds in future budgets.

2.5.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2020/2021 medium-term capital programme:

Table 35 Sources of capital revenue over the MTREF

| R thousand | Audited Outcome 2016/2017 | Audited Outcome 2017/2018 | Audited Outcome 2018/2019 | Original Budget 2019/2020 | Adjusted Budget 2019/2020 | Full Year Forecast 2019/2020 | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/21 | Budget Year +2 2022/23 |
|--------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|------------------------------|-------------------|---------------------|------------------------|------------------------|
| Funded by: | | | | | | | | | | |
| National Government | 33 729 | 32 759 | 33 918 | 47 828 | 69 131 | 69 131 | 69 131 | 55 418 | 58 433 | 60 224 |
| Provincial Government | 1 705 | 20 978 | 1 874 | 9 652 | 23 639 | 23 639 | 23 639 | 19 468 | – | 800 |
| Transfers recognised - capital | 35 434 | 53 737 | 35 813 | 57 480 | 92 770 | 92 770 | 92 770 | 74 886 | 58 433 | 61 024 |
| Borrowing | – | – | – | 18 000 | 18 000 | 18 000 | 18 000 | 16 500 | 16 500 | – |
| Internally generated funds | 15 564 | 4 624 | 18 889 | 14 000 | 16 564 | 16 564 | 16 564 | 16 397 | 7 431 | 7 828 |
| Total Capital Funding | 50 998 | 58 361 | 54 701 | 89 480 | 127 334 | 127 334 | 127 334 | 107 783 | 82 364 | 68 852 |

The above table is graphically represented as follows for the 2020/2021 financial year.

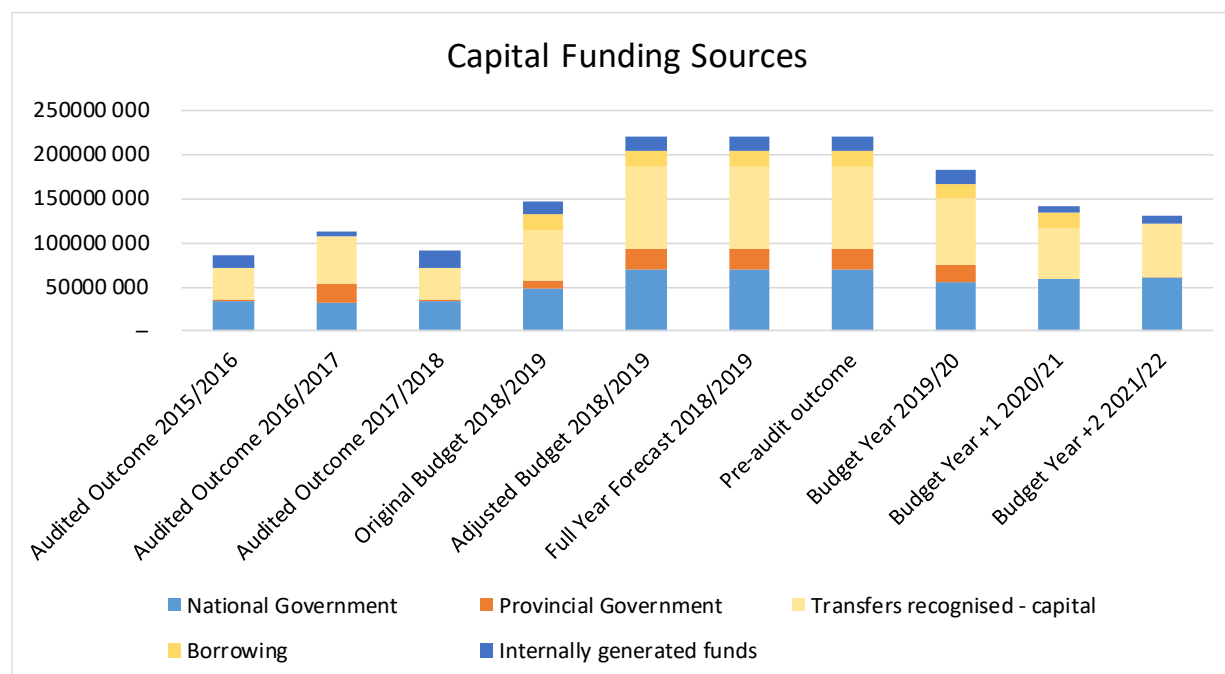


Figure 8 Sources of capital revenue for the 2020/2021 financial year

Capital grants and receipts equates to 69 % of the total funding source which represents R74.8 million for the 2020/2021 financial year and remains the only source of funding for capital over the MTREF.

As already alluded to in the preceding report, the municipality intends to raise capital through borrowing over the MTREF in the amount of R33 Million to address critical infrastructure refurbishment and renewal needs and to prevent current infrastructure from falling further into disrepair.

The following table is a detailed analysis of Oudtshoorn Municipality's current borrowing liability.

Table 36 MBRR Table SA 17 - Detail of borrowings

| | Audited Outcome 2016/2017 | Audited Outcome 2017/2018 | Audited Outcome 2018/19 | Original Budget 2019/20 | Adjusted Budget 2019/20 | Full Year Forecast 2019/20 | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
|-----------------|------------------------------|------------------------------|----------------------------|----------------------------|----------------------------|-------------------------------|------------------------|---------------------------|---------------------------|
| Long-Term Loans | 60 391 | 44 863 | 32 230 | 49 187 | 34 762 | 34 762 | 49 907 | 48 407 | 30 407 |

The following graph illustrates the growth and decline in outstanding borrowing for the 2016/17 to 2022/23 period.

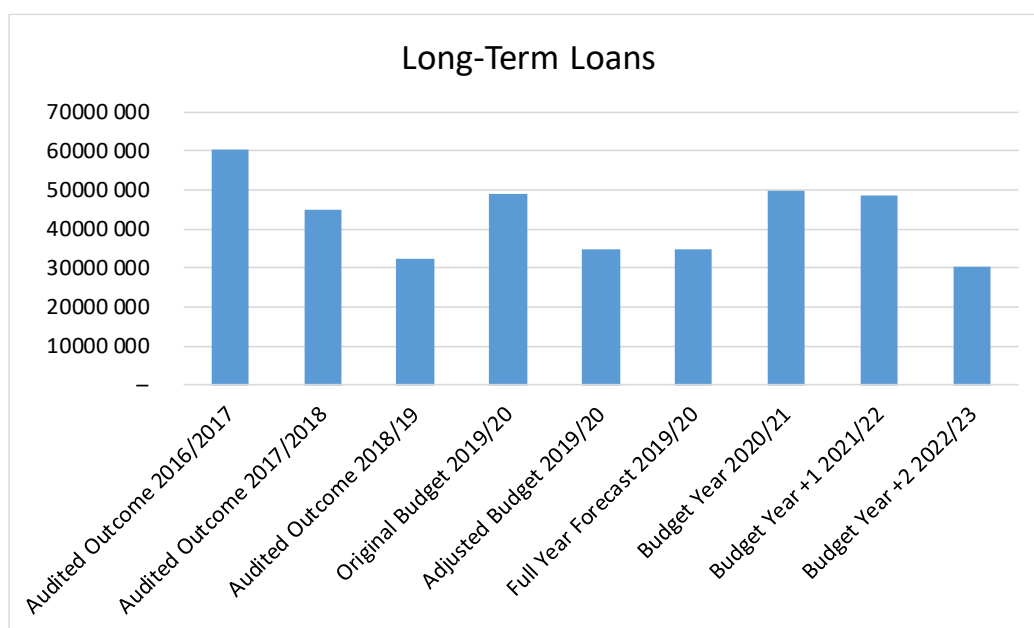


Figure 9 Growth / Decline in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source, it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds are currently not a funding source and will only be utilised as a funding option once the financial recovery is complete. It should then be used conservatively going forward as the municipality needs to build reserves to fund future capital requirements.

Table 37 MBRR Table SA 18 - Capital transfers and grant receipts

| Choose name from list - Supporting Table SA18 Transfers and grant receipts | | | | | | | | | | |
|----------------------------------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | | | | | | | | | | |
| Integrated National Electrification Programme Grant (INEP) | | 6 136 | 3 000 | 3 673 | 4 092 | 4 092 | 4 092 | 3 000 | 5 000 | 4 000 |
| Municipal Infrastructure Grant (MIG) | | 26 726 | 21 169 | 20 211 | 20 910 | 20 910 | 20 910 | 20 730 | 22 199 | 23 339 |
| Regional Bulk Infrastructure Grant | | - | - | - | - | - | - | - | - | - |
| Water Services Infrastructure Grant | | - | 10 000 | 40 000 | 30 000 | 54 498 | 54 498 | 40 000 | 39 999 | 41 919 |
| Energy efficiency and demand side management grant | | 881 | - | - | - | - | - | - | - | - |
| Other capital transfers/grants [insert desc] | | | | | | | | | | |
| Provincial Government: | | 3 073 | 1 500 | - | 9 825 | 24 269 | 24 269 | 19 564 | - | 920 |
| Cango Caves Infrastructure Grant | | - | 1 500 | - | - | - | - | - | - | - |
| Housing - Human Settlement Development | | - | - | - | - | - | - | 18 830 | - | - |
| Libraries Services Conditional Grant | | 100 | - | - | 8 995 | 9 000 | 9 000 | 734 | - | - |
| Water Macro Planning | | - | - | - | - | 10 937 | 10 937 | - | - | - |
| Municipal Drought Relief Grant | | - | - | - | - | 2 000 | 2 000 | - | - | - |
| Supply for Drought Relief interventions | | 1 621 | - | - | - | - | - | - | - | - |
| Fire Services Capacity Building Grant | | 970 | - | - | 830 | 830 | 830 | - | - | 920 |
| Provincial Sports Grant | | 144 | - | - | - | - | - | - | - | - |
| Military Sports Academy | | 88 | - | - | - | - | - | - | - | - |
| Municipal Service Delivery and Capacity Building Grant | | 29 | - | - | - | 65 | 65 | - | - | - |
| Western Cape Financial Management Support Grant | | 108 | - | - | - | - | - | - | - | - |
| CDW Operational Grant | | 13 | - | - | - | - | - | - | - | - |
| Other capital transfers/grants [insert description] | | | | | | | | | | |
| Airport Infrastructure Grant | | - | - | - | - | 1 437 | 1 437 | - | - | - |
| Total Capital Transfers and Grants | 5 | 36 816 | 35 669 | 63 884 | 64 827 | 103 769 | 103 769 | 83 294 | 67 198 | 70 178 |
| TOTAL RECEIPTS OF TRANSFERS & GRANTS | | 111 405 | 169 517 | 200 973 | 167 231 | 224 579 | 224 579 | 199 705 | 195 139 | 198 048 |

References

2.5.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words, the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long-term borrowing (debt).

Table 38 MBRR Table A 7 – Budgeted Cash flows

| Choose name from list - Table A7 Budgeted Cash Flows | | | | | | | | | | | |
|------------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | | | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Property rates | | 70 958 | 81 990 | 88 173 | 90 573 | 88 541 | 88 541 | 88 541 | 93 853 | 99 495 | 105 475 |
| Service charges | | 315 786 | 326 459 | 334 867 | 366 834 | 342 111 | 342 111 | 342 111 | 370 808 | 392 818 | 427 642 |
| Other revenue | | 16 094 | 17 806 | 43 474 | 32 478 | 32 911 | 32 911 | 32 911 | 34 070 | 35 305 | 36 966 |
| Transfers and Subsidies - Operational | 1 | 74 589 | 113 150 | 130 694 | 102 404 | 120 810 | 120 810 | 120 810 | 116 411 | 127 941 | 127 870 |
| Transfers and Subsidies - Capital | 1 | 36 816 | 53 899 | 40 930 | 64 827 | 103 834 | 103 834 | 103 834 | 83 294 | 67 198 | 70 178 |
| Interest | | 9 621 | 12 535 | 15 768 | 12 870 | 16 733 | 16 733 | 16 733 | 18 283 | 19 345 | 20 695 |
| Dividends | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Suppliers and employees | | (420 838) | (499 902) | (522 433) | (594 070) | (605 697) | (605 697) | (605 697) | (619 150) | (653 095) | (680 781) |
| Finance charges | | (8 954) | (8 181) | (8 021) | (11 252) | (4 722) | (4 722) | (4 722) | (5 911) | (5 644) | (5 099) |
| Transfers and Grants | 1 | (3 022) | (2 947) | (3 788) | (3 240) | (5 127) | (5 127) | (5 127) | (5 693) | (5 741) | (6 861) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | 91 050 | 94 809 | 119 664 | 61 423 | 89 394 | 89 394 | 89 394 | 85 966 | 77 621 | 96 086 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Proceeds on disposal of PPE | | - | 435 | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current receivables | | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current investments | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Capital assets | | (34 470) | (56 975) | (51 616) | (80 532) | (127 334) | (127 334) | (127 334) | (91 616) | (70 009) | (58 524) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | (34 470) | (56 540) | (51 616) | (80 532) | (127 334) | (127 334) | (127 334) | (91 616) | (70 009) | (58 524) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Short term loans | | - | - | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | | - | 18 835 | - | 18 000 | 18 000 | 18 000 | 18 000 | 16 500 | 16 500 | - |
| Increase (decrease) in consumer deposits | | - | - | - | 592 | 592 | 592 | 592 | - | - | - |
| Payments | | | | | | | | | | | |
| Repayment of borrowing | | (48 365) | (13 991) | (15 906) | (17 000) | (15 249) | (15 249) | (15 249) | (16 874) | (16 874) | (16 874) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | (48 365) | 4 844 | (15 906) | 1 592 | 3 343 | 3 343 | 3 343 | (374) | (374) | (16 874) |
| NET INCREASE/ (DECREASE) IN CASH HELD | | | | | | | | | | | |
| Cash/cash equivalents at the year begin: | 2 | 8 215 | 43 113 | 52 141 | (17 517) | (34 597) | (34 597) | (34 597) | (6 024) | 7 237 | 20 688 |
| Cash/cash equivalents at the year end: | 2 | 19 679 | 27 894 | 71 007 | 72 761 | 123 149 | 123 149 | 123 149 | 88 552 | 82 528 | 89 766 |
| Cash/cash equivalents at the year end: | 2 | 27 894 | 71 007 | 123 149 | 55 244 | 88 552 | 88 552 | 88 552 | 82 528 | 89 766 | 110 453 |

2.5.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. The MTREF shows a consolidation of the cash position over the MTREF with a moderate increase over the 3-year period.

Table 39 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

| Choose name from list - Table A8 Cash backed reserves/accumulated surplus reconciliation | | | | | | | | | | | |
|------------------------------------------------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| R thousand | | | | | | | | | | | |
| Cash and investments available | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | 27 894 | 71 007 | 123 149 | 55 244 | 88 552 | 88 552 | 88 552 | 82 528 | 89 766 | 110 453 |
| Other current investments > 90 days | | 0 | (0) | (0) | 0 | 0 | 0 | 0 | - | - | - |
| Non current assets - Investments | 1 | - | - | - | - | - | - | - | - | - | - |
| Cash and investments available: | | 27 894 | 71 007 | 123 149 | 55 244 | 88 552 | 88 552 | 88 552 | 82 528 | 89 766 | 110 453 |
| Application of cash and investments | | | | | | | | | | | |
| Unspent conditional transfers | | 10 188 | 9 534 | 38 694 | 3 695 | - | - | - | - | - | - |
| Unspent borrowing | | - | - | - | - | - | - | - | - | - | - |
| Statutory requirements | 2 | | | | | | | | | | |
| Other working capital requirements | 3 | (8 020) | 5 480 | 14 593 | 17 829 | 28 118 | 28 118 | 28 118 | 28 115 | 25 738 | 21 326 |
| Other provisions | | | | | | | | | 44 264 | 46 968 | 48 779 |
| Long term investments committed | 4 | - | - | - | - | - | - | - | - | - | - |
| Reserves to be backed by cash/investments | 5 | | | | | | | | - | - | - |
| Total Application of cash and investments: | | 2 168 | 15 014 | 53 286 | 21 524 | 28 118 | 28 118 | 28 118 | 72 380 | 72 707 | 70 104 |
| Surplus(shortfall) | | 25 727 | 55 993 | 69 862 | 33 720 | 60 434 | 60 434 | 60 434 | 10 149 | 17 059 | 40 349 |

From the above table it can be seen that there is limited unencumbered cash and investments available for the 2020/2021 financial year but it improves over the remainder of the MTREF.

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year- end obligations.
- Other provisions include current employee provisions and the current portion of long-term borrowings to be paid within the year.

It can be concluded that Oudtshoorn Municipality has a cash surplus over the MTREF and that sufficient funds will be available for operations. The challenge for Oudtshoorn Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate. The main cost driver of the budget being employee related cost must be managed downward for the municipality to gather sufficient financial resources to address critical maintenance and capital needs.

2.5.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These

measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 40 MBRR SA10 – Funding compliance measurement

| Choose name from list Supporting Table SA10 Funding measurement | | | | | | | | | | | | |
|-----------------------------------------------------------------|--------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| Description | MFMA section | Ref | 2016/17 | 2017/18 | 2018/19 | Current Year 2019/20 | | | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
| | | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Funding measures | | | | | | | | | | | | |
| Cash/cash equivalents at the year end - R'000 | 18(1)b | 1 | 27 894 | 71 007 | 123 149 | 55 244 | 88 552 | 88 552 | 88 552 | 82 528 | 89 766 | 110 453 |
| Cash + investments at the yr end less applications - R'000 | 18(1)b | 2 | 25 727 | 55 993 | 69 862 | 33 720 | 60 434 | 60 434 | 60 434 | 10 149 | 17 059 | 40 349 |
| Cash year end/monthly employee/supplier payments | 18(1)b | 3 | 0.9 | 1.8 | 3.0 | 1.2 | 1.9 | 1.9 | 1.9 | 1.7 | 1.8 | 2.1 |
| Surplus/(Deficit) excluding depreciation offsets: R'000 | 18(1) | 4 | 77 468 | 62 592 | 53 133 | 1 929 | 42 769 | 42 769 | 42 769 | 43 209 | 34 425 | 50 909 |
| Service charge rev % change - macro CPI target exclusive | 18(1)a,(2) | 5 | N.A. | (0.4%) | (2.4%) | 5.5% | (9.9%) | (6.0%) | (6.0%) | 1.9% | (0.0%) | 2.3% |
| Cash receipts % of Ratepayer & Other revenue | 18(1)a,(2) | 6 | 89.3% | 91.3% | 93.6% | 94.7% | 93.0% | 93.0% | 93.0% | 92.9% | 92.9% | 92.9% |
| Debt impairment expense as a % of total billable revenue | 18(1)a,(2) | 7 | 4.2% | 8.8% | 8.2% | 4.0% | 4.5% | 4.5% | 4.5% | 4.6% | 4.3% | 4.3% |
| Capital payments % of capital expenditure | 18(1)c;19 | 8 | 67.6% | 97.4% | 94.4% | 90.0% | 100.0% | 100.0% | 100.0% | 85.0% | 85.0% | 85.0% |
| Borrowing receipts % of capital expenditure (excl. transfers) | 18(1)c | 9 | 0.0% | 393.6% | 0.0% | 56.3% | 52.1% | 52.1% | 52.1% | 50.2% | 68.9% | 0.0% |
| Grants % of Govt. legislated/gazetted allocations | 18(1)a | 10 | | | | | | | | 100.0% | 100.0% | 100.0% |
| Current consumer debtors % change - inc/(decr) | 18(1)a | 11 | N.A. | (7.9%) | (1.3%) | (7.1%) | 17.7% | 0.0% | 0.0% | (8.9%) | 10.9% | 10.5% |
| Long term receivables % change - inc/(decr) | 18(1)a | 12 | N.A. | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| R&M % of Property Plant & Equipment | 20(1)(vi) | 13 | 2.1% | 2.0% | 2.1% | 2.6% | 2.4% | 2.4% | 2.5% | 2.3% | 2.2% | 2.2% |
| Asset renewal % of capital budget | 20(1)(vi) | 14 | 63.5% | 0.1% | 10.6% | 2.2% | 2.5% | 2.5% | 0.0% | 0.0% | 2.1% | 4.4% |
| High Level Outcome of Funding Compliance | | | | | | | | | | | | |
| Total Operating Revenue | | | 528 918 | 585 513 | 638 275 | 625 754 | 629 746 | 629 746 | 629 746 | 664 373 | 707 692 | 754 005 |
| Total Operating Expenditure | | | 488 342 | 576 820 | 626 072 | 688 652 | 690 745 | 690 745 | 690 745 | 704 459 | 740 465 | 773 274 |
| Surplus/(Deficit) Budgeted Operating Statement | | | 40 576 | 8 693 | 12 203 | (62 898) | (61 000) | (61 000) | (61 000) | (40 085) | (32 773) | (19 269) |
| Surplus/(Deficit) Considering Reserves and Cash Backing | | | 25 727 | 55 993 | 69 862 | 33 720 | 60 434 | 60 434 | 60 434 | 10 149 | 17 059 | 40 349 |
| MTREF Funded (1) / Unfunded (0) | | 15 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| MTREF Funded ✓ / Unfunded ✗ | | 15 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

2.5.5.1 Cash/cash equivalent position

Oudtshoorn Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements. In the case of Oudtshoorn this is again positive over the entire MTREF

2.5.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement.

2.5.5.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash

position an evaluation should be made of the ability of Oudtshoorn Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. The Municipality needs to achieve at least three month's cash coverage in the medium term, and then gradually move towards five months coverage. This measure will have to be carefully monitored going forward.

2.5.5.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.5.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

2.5.5.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyze the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget.

2.5.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues.

2.5.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.5.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded.

2.5.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100% could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. Oudtshoorn Municipality has budgeted for all transfers.

2.5.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position.

2.5.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.5.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorize each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarize and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets.

The following budget supporting tables are included in the schedule of budget tables attached as Annexure "E" where appropriate a brief discussion is given to explain the context thereof underneath.

2.6 Expenditure on grants and reconciliations of unspent funds

Table 41 MBRR SA19 - Expenditure on transfers and grant programs

This table gives a brief summary of the programs funded through the respective grant receipts for the current as well as outer years of the MTREF

Table 42 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

This table provides an overview of the grants to be received as well as any amounts carried over from previous financial years as approved by the granting authority

2.7 Councillor and employee benefits

Table 43 MBRR SA22 - Summary of councilors and staff benefits

This table provides an overview of remuneration paid inclusive of benefits and allowances in respect of councilors, management and staff over the MTREF.

Table 44 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councilors/ senior managers)

This table provides a summary of salaries and benefits payable to public office bearers and senior management of the municipality

Table 45 MBRR SA24 – Summary of personnel numbers

This table provides a summary of employee numbers divided into the different functional categories of the municipality

2.8 Monthly targets for revenue, expenditure and cash flow

Table 46 MBRR SA25 - Budgeted monthly revenue and expenditure

This table sets out the monthly revenue as well as expenditure requirements by revenue source and expenditure category over the 2020/2021 financial year and is indicative of the operational requirements on a monthly basis

Table 47 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

This table sets out the monthly revenue as well as expenditure requirements by municipal vote over the 2020/2021 financial year and is indicative of the operational requirements on a monthly basis

Table 48 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

This table sets out the monthly revenue as well as expenditure requirements by standard classification as determined by the National Treasury over the 2020/2021 financial year and is indicative of the operational requirements on a monthly basis.

Table 49 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

This table illustrates the extent to which the capital program will be executed during the financial year.

Table 50 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

This table illustrates the extent to which the capital program will be executed during the financial year classified in accordance with the treasury standard classification.

Table 51 MBRR SA30 - Budgeted monthly cash flow

This table reflects the monthly cash flow anticipated over the duration of the financial year and the anticipated cash flow result at conclusion of the financial year.

| Choose name from list - Supporting Table SA30 Budgeted monthly cash flow | | | | | | | | | | | | | | | |
|--------------------------------------------------------------------------------------------------|---------------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|------------------|-----------------------------------------------|------------------------|------------------------|
| MONTHLY CASH FLOWS | Budget Year 2020/21 | | | | | | | | | | | | Medium Term Revenue and Expenditure Framework | | |
| | July | August | Sept. | October | November | December | January | February | March | April | May | June | Budget Year 2020/21 | Budget Year +1 2021/22 | Budget Year +2 2022/23 |
| Cash Receipts By Source | | | | | | | | | | | | | 1 | | |
| Property rates | 7 821 | 7 821 | 7 821 | 7 821 | 7 821 | 7 821 | 7 821 | 7 821 | 7 821 | 7 821 | 7 821 | 7 821 | 93 853 | 99 495 | 105 475 |
| Service charges - electricity revenue | 20 863 | 20 863 | 20 863 | 20 863 | 20 863 | 20 863 | 20 863 | 20 863 | 20 863 | 20 863 | 20 863 | 20 863 | 250 361 | 260 924 | 283 268 |
| Service charges - water revenue | 5 412 | 5 412 | 5 412 | 5 412 | 5 412 | 5 412 | 5 412 | 5 412 | 5 412 | 5 412 | 5 412 | 5 412 | 64 943 | 70 817 | 77 174 |
| Service charges - sanitation revenue | 2 971 | 2 971 | 2 971 | 2 971 | 2 971 | 2 971 | 2 971 | 2 971 | 2 971 | 2 971 | 2 971 | 2 971 | 35 653 | 38 848 | 42 308 |
| Service charges - refuse revenue | 1 654 | 1 654 | 1 654 | 1 654 | 1 654 | 1 654 | 1 654 | 1 654 | 1 654 | 1 654 | 1 654 | 1 654 | 19 850 | 22 228 | 24 893 |
| Rental of facilities and equipment | 239 | 239 | 239 | 239 | 239 | 239 | 239 | 239 | 239 | 239 | 239 | 239 | 2 872 | 3 057 | 3 238 |
| Interest earned - external investments | 908 | 908 | 908 | 908 | 908 | 908 | 908 | 908 | 908 | 908 | 908 | 908 | 10 901 | 11 609 | 12 364 |
| Interest earned - outstanding debtors | 615 | 615 | 615 | 615 | 615 | 615 | 615 | 615 | 615 | 615 | 615 | 615 | 7 382 | 7 736 | 8 331 |
| Dividends received | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fines, penalties and forfeits | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 112 | 1 340 | 1 420 | 1 506 |
| Licences and permits | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 371 | 393 | 417 |
| Agency services | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 4 218 | 4 471 | 4 739 |
| Transfers and Subsidies - Operational | 38 804 | | | | | 38 804 | | | 38 804 | | | | 116 411 | 127 941 | 127 870 |
| Other revenue | 2 106 | 2 106 | 2 106 | 2 106 | 2 106 | 2 106 | 2 106 | 2 106 | 2 106 | 2 106 | 2 106 | 2 106 | 25 269 | 25 963 | 27 066 |
| Cash Receipts by Source | 81 888 | 43 085 | 43 085 | 43 085 | 43 085 | 81 888 | 43 085 | 43 085 | 81 888 | 43 085 | 43 085 | 43 085 | 633 426 | 674 904 | 718 648 |
| Other Cash Flows by Source | | | | | | | | | | | | | | | |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | 27 765 | | | | 27 765 | | | | 27 765 | | | | 83 294 | 67 198 | 70 178 |
| Short term loans | | | | | | | | | | | | | - | - | - |
| Borrowing long term/financing | | | | | | | | | | | | 16 500 | 16 500 | 16 500 | - |
| Increase (decrease) in consumer deposits | | | | | | | | | | | | | - | - | - |
| Total Cash Receipts by Source | 109 653 | 43 085 | 43 085 | 43 085 | 70 849 | 81 888 | 43 085 | 43 085 | 109 653 | 43 085 | 43 085 | 59 585 | 733 220 | 758 602 | 788 826 |
| Cash Payments by Type | | | | | | | | | | | | | | | |
| Employee related costs | 20 350 | 20 350 | 20 350 | 20 350 | 40 700 | 20 350 | 20 350 | 20 350 | 20 350 | 20 350 | 20 350 | 20 350 | 264 547 | 283 065 | 302 880 |
| Remuneration of councillors | 869 | 869 | 869 | 869 | 869 | 869 | 869 | 869 | 869 | 869 | 869 | 1 739 | 11 303 | 11 823 | 12 367 |
| Finance charges | | | | | | 2 955 | | | | | | 2 955 | 5 911 | 5 644 | 5 099 |
| Bulk purchases - Electricity | 14 462 | 14 462 | 14 462 | 14 462 | 14 462 | 14 462 | 14 462 | 14 462 | 14 462 | 14 462 | 14 462 | 28 923 | 188 000 | 197 776 | 207 665 |
| Bulk purchases - Water & Sewer | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other materials | 2 085 | 2 085 | 2 085 | 2 085 | 2 085 | 2 085 | 2 085 | 2 085 | 2 085 | 2 085 | 2 085 | 4 169 | 27 101 | 27 101 | 27 101 |
| Contracted services | 3 202 | 3 202 | 3 202 | 3 202 | 3 202 | 3 202 | 3 202 | 3 202 | 3 202 | 3 202 | 3 202 | 6 405 | 41 630 | 37 074 | 36 588 |
| Transfers and grants - other municipalities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers and grants - other | 438 | 438 | 438 | 438 | 438 | 438 | 438 | 438 | 438 | 438 | 438 | 876 | 5 693 | 5 741 | 6 861 |
| Other expenditure | 6 659 | 6 659 | 6 659 | 6 659 | 6 659 | 6 659 | 6 659 | 6 659 | 6 659 | 6 659 | 6 659 | 13 318 | 86 569 | 96 255 | 94 180 |
| Cash Payments by Type | 48 065 | 48 065 | 48 065 | 48 065 | 68 415 | 51 020 | 48 065 | 48 065 | 48 065 | 48 065 | 48 065 | 78 735 | 630 753 | 664 480 | 692 740 |
| Other Cash Flows/Payments by Type | | | | | | | | | | | | | | | |
| Capital assets | | | | | | | | | | | | 91 616 | 91 616 | 70 009 | 58 524 |
| Repayment of borrowing | | | | | | 5 483 | | | | | | 11 391 | 16 874 | 16 874 | 16 874 |
| Other Cash Flows/Payments | | | | | | | | | | | | - | - | - | - |
| Total Cash Payments by Type | 48 065 | 48 065 | 48 065 | 48 065 | 68 415 | 56 503 | 48 065 | 48 065 | 48 065 | 48 065 | 48 065 | 181 742 | 739 243 | 751 364 | 768 139 |
| NET INCREASE/(DECREASE) IN CASH HELD | 61 588 | (4 980) | (4 980) | (4 980) | 2 435 | 25 385 | (4 980) | (4 980) | 61 588 | (4 980) | (4 980) | (122 158) | (6 024) | 7 237 | 20 688 |
| Cash/cash equivalents at the monthly year begin: | 88 552 | 150 140 | 145 160 | 140 179 | 135 199 | 137 634 | 163 019 | 158 039 | 153 059 | 214 647 | 209 666 | 204 686 | 88 552 | 82 528 | 89 766 |
| Cash/cash equivalents at the monthly year end: | 150 140 | 145 160 | 140 179 | 135 199 | 137 634 | 163 019 | 158 039 | 153 059 | 214 647 | 209 666 | 204 686 | 82 528 | 82 528 | 89 766 | 110 453 |

2.9 Contracts having future budgetary implications

In terms of Oudtshoorn Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.10 Capital expenditure details

The following three tables included in Annexure "E" present details of Oudtshoorn Municipality's capital expenditure program, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets. The tables as indicated below form part of the budget supporting tables included in Annexure "E"

Table 52 MBRR SA 34a - Capital expenditure on new assets by asset class

Table 53 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

Table 54 MBRR SA34c - Repairs and maintenance expenditure by asset class

Table 55 MBRR SA34d - Depreciation by asset class

Depreciation expenditure is illustrated in table 55 referred to below and it is indicative of the depreciation cost per asset class over the MTREF

Table 56 MBRR SA35 - Future financial implications of the capital budget

This table illustrates the impact of the capital budget on future financial year's operational budget and the extent to which it will impact on projected revenue and expenditure

Table 57 MBRR SA36 - Detailed capital budget per municipal vote

The detailed capital program is listed under point 1.6 of the budget report and full detail available in SA36 in Annexure "E"

2.11 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format is fully complied with on a monthly basis up until the last section 71 reporting to the Executive Mayor (within 10 working days) and has

progressively improved and includes monthly published financial performance on Oudtshoorn Municipality's website.

2. Internship program

Oudtshoorn Municipality is participating in the Municipal Financial Management Internship program. Five interns have been appointed with effect from 1 April 2016 which are funded through the FMG in the current financial year. Vacancies that occur from time to time are filled once they are available in accordance with the grant conditions.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA, the municipality is currently suffering as many critical vacancies exist in the BTO. The appointment of adequate management staff in the BTO will therefore be receiving priority and the necessary budgetary allocation has been made in the MTREF.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is submitted as draft with the MTREF and will be approved in accordance with the legislative framework after the budget approval it is directly aligned and informed by the 2020/2021 MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements. The annual report was tabled in Council and is currently available for public comments before submission to the oversight committee and thereafter final adoption by Council.

7. Minimum competency training

Minimum competency training is underway and all required staff members are enrolled for the completion of the required training. Extension for the compliance has been granted by the National Treasury. Our participation in this program is in line with the assessment of current skills pool and capacity building to ensure less reliance on consulting services. The filling of critical vacancies will also require compliance by candidates to the minimum competency requirements.

8. Policies

Various policy amendments are proposed as part of the budget process, all policies being revised are to be made available with budget documentation for public input.

9. mSCOA Readiness

The municipality is compliant in respect of all mSCOA requirements yet certain modules of the core financial system such as asset management still needs to be implemented. All data strings submitted by the municipality have been validated and have been found to be in order and perfectly aligned with budget schedules.

2.12 Other supporting documents

Table 58 MBRR Table SA1 - Supporting detail to budgeted financial performance

Table 59 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Table 60 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Table 61 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

The aforementioned supporting schedules, are included in Annexure “E” and provides supporting information to the main budget tables and figures as alluded to in the budget report.

2.13 Municipal manager's quality certificate

I Reginald Smit, Acting Municipal Manager of Oudtshoorn Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: R Smit

Municipal Manager of Oudtshoorn Municipality (WC045)

Signature: _____

Date 31 March 2020